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TRANSPORTATION NEEDS IN RURAL AREAS

HEARING

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

AUGUST 11, 1987—MINOT, ND

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TRANSPORTATION NEEDS IN RURAL AREAS

TUESDAY, AUGUST 11, 1987

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Minot, ND.

The committee met, pursuant to notice, at 1:30 p.m., at the Sheraton Motor Inn, Minot, North Dakota, Hon. Quentin N. Burdick (chairman of the committee) presiding.

Present: Senator Burdick.

OPENING STATEMENT OF HON. QUENTIN N. BURDICK, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator BURDICK. Good afternoon. I want to extend a hearty welcome to all, and I appreciate your being here. I am very pleased to be in Minot today for a hearing on the subject of rural transportation needs.

We are greatly honored to have with us an excellent representation of the fine leadership produced by this State. I want to especially recognize our host, Mayor George Christensen, and to express my appreciation to our State Highway Commissioner, Walt Hjelle, who has been so helpful in preparing for this hearing.

I also welcome to the great State of North Dakota our distinguished out-of-State guests who have come here to present testimony. In particular, I want to acknowledge the presence of Ray Barnhart, the Federal Highway Administrator, who is the man in charge of the Federal-Aid Highway Program. I am particularly happy that Mr. Barnhart was able to come early and spend time with our State Highway Department officials and with Division officials of the FHWA in Bismarck to hear first-hand about the highway transportation concerns of North Dakota.

Also testifying today is Martin F. Fitzpatrick, Jr., who is Administrator of the Office of Transportation of the United States Department of Agriculture. Because of my long-standing concern about rural transportation problems, I requested that a study be done on rural highway finance. Mr. Fitzpatrick is here to report on some of the findings of that study. I look forward to hearing his testimony.

Witnesses have been asked to testify about any or all of the following issues.

One, the ability of States with small populations and large land areas to raise sufficient revenues for highway needs.

Two, diversion of highway user fees for non-highway purposes.

Three, responsibilities of various levels of Government.

Four, condition and needs of roads in agricultural areas.

Five, effects of the elimination of branch lines, rail lines, and increased truck traffic.

Six, apportionment formulas.

Seven, implementation of the 1987 Highway Act.

Eight, alternatives for the financing and maintaining of highways.

Nine, the speed limit.

Ten, any other issues relating to the Federal-Aid Highway Program or rural transportation needs.

This spring, after months of delay and difficulties, the Congress was able to override a Presidential veto and enact into law important and much-needed highway legislation. The 1987 act contains funding to complete the Interstate Highway System by 1991. Come 1991 there will be a major restructuring of the Federal-Aid Highway Program, and I believe it is not too soon to begin planning and laying the groundwork for programs and policies that will address the diverse needs of all regions, especially smaller towns and rural areas.

The building and rebuilding of our transportation is a major national concern. It is critical to the well-being of rural communities. In our State and in many other rural States, the majority of the roads are not on the Federal-Aid Highway System and do not receive Federal funds.

It is the counties, towns and townships that have the expensive responsibility for constructing and maintaining as much as 80 percent of the rural road mileage. Matters have been made worse for the local governments due to the loss of revenue-sharing funds and reduced bonding flexibility. Clearly, the Federal Government needs to pay more attention to the needs of our very important rural transportation systems. It is my expectation that this hearing will provide the committee with valuable information regarding the direction that future Federal highway legislation should take.

The testimony here today will go back to Washington with me, to become a part of the permanent hearing record on which new legislative initiatives will be developed over the next several years. Because of the importance of obtaining ideas and information from as many points of view as possible, we have an extensive witness list; and there are, of course, constraints on the amount of time that we have. I want all of the witnesses to be heard, and therefore I must ask that the witnesses limit themselves to a 5-minute oral summary of their written testimony. Your entire oral and written statements will be made a part of the record in full. For anyone not scheduled to testify today but interested in submitting written testimony, the hearing record will be kept open until September 1 to enable you to do so, so everyone here today, either orally or in writing, will be heard.

The final hearing record will be available for all Members of Congress to review as they are considering highway legislation.

We would now call upon Ray Barnhart, the Federal Highway Administrator, for his testimony.

Mr. Barnhart, you may proceed.

STATEMENT OF RAY BARNHART, ADMINISTRATOR, FEDERAL HIGHWAY ADMINISTRATION

Mr. BARNHART. Thank you, Senator. It's good to be with you once again. It seems like familiar ground after these past many months of appearing before you and working with you. I will submit my official statement for the record and confine my remarks to other areas of special concern to me, and then you can consider at your leisure the substance of my printed statement.

Senator BURDICK. Your full written statement will be made a part of the record.

Mr. BARNHART. Thank you.

First, I want to thank you for your very thoughtful and excellent work on behalf of the highway program during the past session of the Congress. I know it's always routine when the head of an agency appears before the chairman of his primary committee, especially when you're on his home turf, to say nice things about the chairman. It seems only prudent, but I want you to know that my comments and thanks are not simply perfunctory but are most genuine, because I know the battle you put up on behalf of the highway program. So not only as Administrator but as a Texan and as a Republican and an American, I want to thank you for what you've done because you've not only well represented the interests of your State, but you did not sacrifice the interests of the country in that pursuit. And I mean that most genuinely.

We've had some tough battles on this legislation, which the President vetoed, and frankly, I felt that on merit the bill should have been vetoed because of what it did to the Federal-State relationship in highway departments. The onerous provisions of the bill, however, were not in the highway portion but rather in the transit portion, which were rather abusive. So while we did have the veto, we shared many, many goals in common. And certainly, we've made some progress in relieving the rigidity of our highway program from some of the bureaucratic rules that we have, and you have been very supportive of that. We've tried for some six and a half years to return more prerogatives of management back to the States where people who are more directly accountable to their constituencies can make those actions without having those actions dictated by Big Brother in Washington, D.C.

While we haven't made as much progress in relieving that bureaucratic red tape as we would like, we have made some significant progress in the last few years. I am really pleased that you are out looking at the future of the highway program because now, with this bill, we will see the completion of the Interstate and we will enter into a new era of transportation concern. And I am very concerned about the shape of any future highway bill in the post-Interstate era. We are working hard in the Federal Highway Administration to look to the needs—not the political needs, but the economic needs—of this country. Highways are absolutely fundamental to the economy of this country, and I'm not sure that people outside of the Beltway realize some of the give-and-take, some of the pressures that are at work in Washington, D.C., that would sacrifice this highway program and its funding in order to accomplish other political ends. You who are out here in a less pop-

ulated State with large land areas, you understand how critically important highways are to your communities and to the economic viability of this State. But unfortunately, that isn't shared by many Members of the Congress. And, of course, you are but one of 535 people, which means that you are going to have to carry a very, very big flag as you try to protect some of the western and smaller States from changes in formula, which they attempted to put into the last highway bill, where some people in the more populated areas of the country would set formulae based on the usage of fuel and the lane miles of travel dictating the distribution of those Federal funds. If the formula as advocated by the House had been put into law, every State west of the Mississippi would have suffered a severe shortfall in Federal funds, every State but California.

We in the Federal Highway Administration, looking to what we believe is necessary for this country and for less populated States, to support this highway program, appreciate very much what the Senate did in support of that effort to stop that change in formulae.

I am very concerned generally about this highway program because I think the whole economy of this country is dependent upon the efficiency of highway transportation, and the facts prove it, if people will only stop to think. Last year we had 1.849 trillion miles driven on our Nation's highway system. We accounted for 85.9 percent of all personal travel. And 74.6 percent of the dollar value of all agricultural goods and manufactured products moved on the Nation's highway system.

The Congress pays lip service to productivity and competitiveness; and yet, every time I turn around I find initiatives in the Congress which would undermine the financing of the highway program. It would be devastating to this State and other smaller States. Federal funds accounted for about 46 percent of all of your highway expenditures last year. So if we reduce income into the Federal Highway Trust Fund, your State will suffer significantly.

I refer to several initiatives that may be popular in many agricultural States and in many quarters. Gasohol, for instance. And I recognize that the farm community generally perceives gasohol as being their economic salvation. But I would ask those folks who are advocates of the use of gasohol or other alternate fuels to please look at what that impact of loss of funds because of hidden subsidies would do to the highway program which you must rely on in order to get your products to market.

Gasohol, as you know, under the present law has a six cent per gallon exemption. There's a nine cent per gallon tax on gasoline. I say, where else but in Washington D.C. would you take the Real McCoy called gasoline, dilute it 10 percent with an alternate fuel, and reduce the taxes two-thirds? Well, people say, it's only six cents a gallon; it doesn't mean much, and it's important to the farm community. As a matter of fact, that six cent per gallon exemption cost the Highway Trust Fund $445 million last year, and the States then followed the pattern of the Federal Government and have their State exemptions, which you have in this State, and you lost some $10 million in your own State funds because of that subsidy. And it is a subsidy when you don't pay the tax.

Automobiles that use alternate fuels burn up the highways just as do automobiles that burn gasoline, yet they're not paying their fair share. We have legislation introduced now which would require that by 1992, 50 percent of all of the gasoline used in this country would have to be gasohol. That is frightening if you look at the impact on the Highway Trust Fund. If that bill had been law in this session, it would have meant a reduction in obligations of over $3.5 billion, and that would be devastating to the highway program. It would have meant a reduction in the monies we send to North Dakota of one-third. You would have lost one-third of your funding through that seemingly insignificant subsidy. What we are really talking about in 1992 is a $4 billion per year loss. Is that fair? I think it is not.

We do not object to the use of alternate fuels. All I say, Senator, is that it should not be subsidized at the expense of motorists. If there must be a subsidy to make that economically viable and it's in the national interest to have that alternate fuel, should it not then be subsidized out of the general fund instead of the Highway Trust Fund? The Highway Trust Fund is the sole source of funding for the Nation's Federal-Aid Highway Program, and I really hate to think what will happen if, in 13 years or less, we reduce the funding level of that Highway Trust Fund. As I said earlier, 1.849 trillion miles were driven on our highway system, hauling most of our produce, and comprising most of our personal trips. We are projecting a 50 to 60 percent increase in that travel by the turn of the century. That's only 13 years away, and we are not adequately planning on how to handle the additional necessary capacity to get our products to market.

So I am truly very concerned; not because of Federal Highway Administration—good Heavens, I'm a political appointee; I'm here today and gone tomorrow, and it will not be my responsibility. But, by Heaven, I cannot be silent as the administrator of this program, when I see the terrible impact that this would have on the Nation's economy, I think I have a responsibility to speak out whether I offend a producer of gasohol or ethanol or methanol. I just think people ought to understand what is involved.

We have another effort in the Congress now to balance the budget by simply increasing the Federal fuel tax. This would be devastating, and a very regressive tax. There are proposals to increase the Federal fuel tax from $0.09 to $0.18 per gallon in order to accommodate the overspending of the Congress. That's $10 billion out of motorists' pockets. I think it would be selective taxation and terribly unfair and detrimental to this highway transportation which this country moves on.

So I would plead that, in analyzing what our future needs are, we look to the funding mechanism and not injure that. There is not another Federal program like this where it is a user-funded program, where you who burn fuels pay for the highways you drive on. The Federal-Aid Highway Program has not contributed one penny to this horrendous national deficit, and I don't think it should be called upon, then, to balance that budget.

You in a large-area, small-population State face special problems with the demise of the rail industry where now you are having to resort to trucks—and generally overloaded, at that—to carry your

agricultural products to market. And I will guarantee you that Walt Hjelle and this State Highway Department are going to just have a terribly difficult time in the next few years because of the increased usage of those secondary roads by all these heavy trucks carrying agricultural products.

Walt, I don't know how you are going to be able to manage in another six years because the funding isn't there, and yet roads are what this economy must have.

So again, do I have an answer? Yes, I think I do, and that is that we have to look carefully at all of the exemptions that we have which deny funding to this highway program which are then redistributed to you. You know, North Dakota is a recipient State. You get back approximately $2 for each dollar you put into the Highway Trust Fund. I come from Texas; we have historically received back $0.84 on each dollar that we put into the Highway Trust Fund, but I've never begrudged that redistribution of wealth because I think it's important to me as a Texan—it's important to us as a Nation—that we have a viable, efficient highway program in every State to tie this country together so that we can maintain and sustain its economic activity. We all benefit from that. That's why I am so sold on this highway program and I am so concerned that some of the political forces in Washington, D.C. may make some accommodations in formula which would destroy this highway program or at least severely curtail your funding, or divert funds from this Highway Trust Fund and then have that same effect.

We are now having a special threat in this Presidential election year, and you watch and see if it doesn't happen, where the farm community—in the name of air quality—will try to involve the environmentalists in the promotion of alternate fuels. It's already happening. And if you get the farm lobby and the environmentalists together in Washington, D.C., they have tremendous political clout. Everyone wants clean air. I want clean air, but I don't want to destroy our economy in the process of accomplishing it. I think we have to look at all facts and weigh those things.

As I say, you've got some special problems with your secondary roads. We're going to be looking at that at the Federal Highway Administration, because we can't walk off from the problem, nor can we expect a State with 600,000—some with 550,000 people—and huge mileages to account for, to provide that infrastructure that they need.

It is such a battle between rural areas and metropolitan areas that it's going to be very tough to handle. All you have to do is look at that 55 miles per hour speed limit that you referred to. For six and a half years I, as Administrator, have been trying to say, shouldn't that be the State responsibility and get the Federal Government out of it? Why don't we turn back much authority back here to the Walt Hjelles or the Governors of the States who are accountable to their own people? And why should I, as Administrator, have to adjudicate local problems? To me that's Big Daddy in its worst sense, and yet it's taken six and a half years to get some modification of the law, which is not even sufficient at this point.

But that does, I think, encapsulate the philosophical or the political battle going on, not between Republican and Democrat but between metropolitan and rural areas in this country.

I guess I haven't shed a lot of happiness around here with my dire predictions. I don't think they have to be dire, but on the contrary if people are aware of the full ramifications of some of this legislation, I think they will rally around and demand that if we're going to have alternative fuels, eliminate the subsidy. It's amazing to me that the people who would demand that we require people to burn alternate fuels at the same time demand that they retain that hidden subsidy that the average person doesn't know about. To me, that's just grossly unfair.

Now, Senator, I probably have gotten into some areas that some folks weren't interested in, but by golly, they interest and concern me, and I'll be happy to respond to any questions you might have.

Senator BURDICK. What is your opinion of the speed limit as it applies to other than Interstate roads?

Mr. BARNHART. Senator, I had, of course, advocated for some time that we get out of that at the Federal level and turn it back to the States. I've always felt it was a misdirection of our law enforcement authorities. It would seem silly to me that we would, in order to protect Federal funds, require our State Police to be out checking for somebody driving 70 miles per hour on a road at 10:00 o'clock in the morning instead of concentrating their law enforcement efforts around the beer joints on a Friday or a Monday night when all the drunks are out. To me, that's hypocritical and counterproductive. At the same time, I lost. I then suggested to the Congress that we relax the 55, allow the States to go to 65 on Interstate highways—not just Interstate, but a generic definition of a safe highway, divided highways. We've got some divided highways with at-grade crossings down in Texas that are perfectly safe. Good Lord, you can see for five miles, so you don't have to have the Interstate design of separated crossings. However, the Congress refused to do that, and they tied the 55 option only to highways with Interstate designation. We now have problems because we've got about 4,000 miles of toll roads, for instance, that are built to Interstate standards, but they don't have that Interstate designation; therefore, the States can't go up to 65 on them. It's absolutely the same design as an Interstate road, but the Congress in its wisdom—or lack of it—tied the 65 option simply to that Interstate symbol. I think the law is going to have to be changed.

When it gets down to two-lane roads, that's a little different matter. Actually, the fatality rate is higher on rural roads than it is on urban roads, but I think there should be further relaxation of that 65 option, and I'd rather put it primarily in the hands of the States than on my desk.

Senator BURDICK. One of the problems that was argued when we fought this thing through the Congress last time was the safety angle. I think a year's experience on the Interstates will give us some foundation for extending the program, perhaps.

Mr. BARNHART. Yes. Certainly, safety is a major factor. I will tell you that our highways are safer than they ever have been because we are designing them better; we have better vehicles; we are doing a much better job in highway safety than ever before. People

aren't aware of it, but our breakaway signs—all of the safety things that are built into our highways—help on the safety issue.

I don't want to compromise safety. Good Heavens, I've got grandchildren just like anybody else. We've got such carnage on the highways, so we shouldn't just walk off from it. I think we've got some gains, but I do believe that logic and facts will tell us that we ought to allow some further modification.

Senator BURDICK. Those will be problems that we'll face in the near future. We will look at roads off the Interstates And see if we can't come to some conclusion?

Mr. BARNHART. I look forward to working with you. We've had a great relationship, a very constructive relationship in the past, and I'm very proud of the career folks that we have in this bureaucracy that—people generally don't understand that we have quality people in Government, but we truly do, just as you have in State government and just on your staff. And I wish that more people could see the quality of work that we do have.

Thank you very much for inviting me out, Senator.

Senator BURDICK. Mr. Barnhart, thank you very much for coming to Minot. We enjoyed your testimony.

Our next witness will be Mr. Walter R. Hjelle, Highway Commissioner for the State of North Dakota.

Your full statement will be made a part of the record. You may proceed as you wish.

STATEMENT OF WALTER R. HJELLE, COMMISSIONER, HIGHWAY DEPARTMENT, STATE OF NORTH DAKOTA

Mr. HJELLE. Thank you, Senator Burdick. Following Ray Barnhart is quite difficult. He certainly is knowledgeable about all of the programs in the highway system, not only in the metropolitan areas but in the rural areas as well, and he's certainly been of great assistance to us.

Quentin, I'd like to take this opportunity to thank you on behalf of the people of the State of North Dakota for making this your first public hearing by the Committee on Environment and Public Works, of which you are Chairman, with five subcommittees—I know how busy you are—and we really appreciate it out here in the rural areas, to be able to express ourselves and thank you for what you've done. You're our leading Senator down there now at the present time. You've got the seniority down there. And incidentally, we also want to thank you for having been one of the major pushers for the "one half of one percent" clause as a result of us having finished our Interstate. We've actually received approximately $190 million in additional funding since we completed the Interstate in 1977, and it certainly has been a help to the State of North Dakota.

North Dakota is proud of its progressive road construction and maintenance program. We feel we have one of the best highway systems in the Nation. North Dakota was the first State in the Nation to complete its Interstate system. North Dakota also has some of the safest roads in the Nation at the present time. In 1986 there were 1.78 fatalities per 100 million vehicle miles of travel,

which was 38 percent below the national average of 2.47 fatalities per 100 million vehicle miles.

We are fortunate that we do not have serious congestion and capacity problems that are common in many other States, but when it comes to the movement of agricultural commodities, our roads and bridges were not designed to handle the increasing size and weight of the vehicles currently travelling on our system. As a result of inflation, the increasing size and weight of vehicles, reduction of Federal aid and the diversion of highway funds, and also the inability of our user fees to keep pace with need, all levels of Government are experiencing difficulties in preserving their road networks.

North Dakota has a very extensive road network serving the entire State. We have more than 106,000 miles of roads, streets and trails that are under the jurisdiction of the State, the counties, and the townships. Since 1970 these government units have invested in excess of $2 billion in constructing and maintaining North Dakota's roads, streets and bridges. This is an investment we cannot afford to let deteriorate. We have more miles per capita—163 miles per thousand population—than any State in the Nation. We have a very large network, but a small population base to support it; thus it is extremely difficult to generate adequate revenue to maintain and preserve our existing network.

The Federal-Aid Highway Program has played a vital role in providing funding to develop our transportation system. North Dakota has never lost any available Federal aid for highways because of lack of State matching funds; in fact, because we had road improvement plans ready to go, we were able to use Federal funds that other States were unable to match.

One of our major concerns has been the reduction in Federal aid for highways to the States in the past few years. As a result of spending limitations imposed by Congress and across-the-board spending reductions initiated by the Gramm-Rudman-Hollings law, the amount of Federal aid North Dakota has received for highways decreased by 13 percent, from $80.5 million in 1985 to $69.7 million in 1987.

We encourage the Congress to lift these spending limitations if possible. The revenues available in the Highway Trust Fund are the revenues needed to upgrade the highway system.

We also support the concept of removing the Highway Trust Fund from the Federal unified budget. The Highway Trust Fund is self-supporting, consisting of user fees paid by users of the transportation system. Highway transportation has not contributed to the national deficit; expenditures from the Trust Fund are already subject to spending limits through such provisions as the Byrd Amendment, which prohibits spending more than is taken in, making them deficit-proof. The money was collected to be spent on highways. Holding these funds back to provide a false reduction of the Federal deficit is a misrepresentation to the highway users of America. It is strongly recommended that the Highway Trust Fund be removed from the unified budget and that the funds be allocated for the purpose for which they were intended, the improvement of our highways.

The diversion of highway funds for other purposes is a major issue at the Federal and State levels. North Dakota is a strong supporter of the user fee concept. Using highway funds to support the gasohol industry or to be used for deficit reduction does not support the user fee philosophy. At the Federal level, the $0.06 per gallon gasohol tax exemption has a negative impact on the Highway Trust Fund; and according to the Federal Highway Administration, loss of revenue to the Highway Trust Fund due to the Federal gasohol tax exemption was $469 million in 1985 and $440 million in 1986.

The diversion of highway funds is also occurring at the State level. During the past biennium, from 1985 to 1987, the North Dakota State Highway Trust Fund lost over $10 million due to the State gasohol exemption. In addition, the State Legislature approved the diversion of $22 million of State Highway Department funds to support other State agencies. This has resulted in erosion of highway funds needed to preserve and improve our transportation system.

North Dakota is also very concerned about the proposals to increase the Federal motor fuel tax and to use the revenue to reduce the Federal deficit. The proposal to use motor fuel taxes for deficit reduction would depart from the user fee philosophy of the State-Federal transportation partnership for funding highway improvements.

The irony of increasing the motor fuel tax for deficit reduction purposes is that none of the additional revenue would be used for transportation improvements at a time when needs are rapidly outpacing available revenues. Motor fuel is already one of the most heavily-taxed essential commodities in the Nation. Total motor fuel taxes, Federal and State, account for about 25 percent of the retail price of gasoline and almost 30 percent of the retail price of diesel fuel. Increasing the motor fuel tax to reduce the Federal deficit would unfairly shift the tax burden on the large rural States which are dependent on the automobile. Americans living in rural areas will bear a disproportionate and an unfair share of the deficit reduction burden. According to the Federal Highway Administration, total fuel consumption in North Dakota—that's gasoline and diesel fuel, as well—is about 620 gallons per capita, compared to the national average of 508 gallons. If a $0.10 per gallon motor fuel tax was adopted, the additional cost per individual in North Dakota would be about $62 per year, and the total annual cost to the State would be about $42.2 million. In addition, if the diesel fuel tax was increased, the trucking industry would be asked to shoulder a large share of the financial burden.

Increasing the motor fuel tax for deficit reduction purposes would inhibit the ability of the States and the local governments to raise revenues to fund transportation projects. At a time when the Federal highway funds are being cut back and State and local governments are asked to fill the void, a Federal motor fuel tax increase would inhibit the ability of the State and local governments to raise necessary revenue.

We feel motor fuel taxes have served us well, and there's no valid reason to destroy a funding mechanism that functions effectively and fairly at the Federal and State levels. Thus, we believe

the motor fuel tax should remain a tax dedicated only for transportation purposes.

The passage of the Surface Transportation Uniform Relocation Act of 1987 was a major accomplishment of the Congress during the past year. The lack of a Federal highway bill would have been devastating to the economy of rural States like North Dakota. Basically, we were very pleased with the contents of the transportation act. Although the amount of Federal aid we will receive was reduced, we will be able to continue with a program that upgrades our highway system. We were pleased with the fact that the apportionment formulas were not changed a great deal, and this is thanks to Senator Burdick.

Putting more emphasis on travel and less emphasis on road mileage would have greatly reduced the amount of Federal aid to rural areas. Many of our Federal aid roads do not carry large traffic volumes; however, they are needed to provide connecting links to other parts of the country, and are essential to the movement of our commodities, which are in demand throughout the country.

There are a couple of issues regarding the 1987 transportation act that we are very concerned about. North Dakota is scheduled to receive about $27 million to fund demonstration projects in the State over the next five years. We are concerned about the way these funds will be allocated. Currently, we are scheduled to receive one-fifth of the total allocation, or $5.4 million, each year. The problem is that the States do not have the flexibility of transferring these funds among the projects. Under the current act it appears that we have three options: one, to complete one-fifth of each project each year, which would be uneconomical; two, to get the revenue from other sources, complete these projects with these funds, and pay back these funds as the Federal aid is allocated to the States each year; and three, wait until the end of the five-year period, until all the funds are allocated, and then construct all the projects.

Now, if the States were given the flexibility to use their entire demonstration project allocations each year on any of the projects, we could complete the projects in a timely manner and it would alleviate some of the problems that we are currently encountering.

In summary, we feel that we have a very good highway system in the State. We have made a substantial investment in the system and cannot afford to let it deteriorate. We are a rural State with a small population and a large road network; this makes it extremely difficult to generate adequate revenue at the local level and to provide the transportation services demanded by the motoring public.

We must focus on trying to preserve our existing network. Our system is well-established, but transportation needs are continuing to grow. Many segments of our system are getting old and have reached, or are approaching, the end of their designed life. They were not designed to handle the loads traveling on our roads and bridges. Many miles of roads need to be upgraded or resurfaced. Bridges need to be replaced or rehabilitated. There are about 6,160 major structures over 20 feet in length in the State; almost 3,000, or 49 percent, of these structures are deficient. Of the 3,000 deficient bridges in the State, about 2,800, or 93 percent, are on the local county and township road system.

There are no simple answers in dealing with transportation problems and issues. All levels of Government play a vital role in developing and managing our transportation system. We must continue to look for means of improving the management of our road network to ensure we are getting the most out of our highway dollars. If we continue to work together at the Federal, State and local level we will continue to make progress in moving our commodities and serving the highway users of our nation.

Senator BURDICK. Mr. Hjelle, as you know, there is considerable debate in Congress over increasing the speed limit to 65 miles per hour on rural Interstates. There is also talk of increasing the speed limit on other highways, as well. Can you speak to the engineering and safety differences between limited access and other highways, and what we should be looking forward to, other than Interstate roads?

Mr. HJELLE. Well, quite definitely when I had the authority to set the speed limit on the Interstate, I set it at 75 miles an hour and we didn't have any more deaths than we have at the present time. I think right today we only have four deaths on the highway out of the total of about 54; in fact, it has increased here just recently.

I would certainly be in favor of increasing it to 65 miles an hour on the four-lane highways—for example, from Minot to Grand Forks and from Bismarck to Minot. I think that they're travelling that anyway. But it's very true that it's creating an unfortunate problem on our more rural roads; there's no question about that. I've talked to Col. Brian Berg, our Highway Patrol Superintendent, and he's indicated that the speeds on the rural roads are increasing rapidly.

But there are things that we could do insofar as—Highway 2, for example, west of here, where we could put in some changes, some left turn slots and things like that, some safety features that would allow us to increase the speed slightly. But some of the motor carriers are opposed to increasing it to any higher than 55 miles an hour on some of these more rural roads. As far as I'm concerned, I certainly feel that the safety designs that are built into these particular highways at the present time are safe enough to increase it to 65 miles an hour.

Senator BURDICK. I noted last month that another 49 miles of railroad track is being abandoned in North Dakota. I've heard it said that these abandonments have a negative impact on rural roads because heavy trucks replace rail service and damage rural roads. Could you please comment on this assertion?

Mr. HJELLE. It's very true. We've seen, over the years, a drastic—well, not a drastic, but a great—reduction in rail services in the State of North Dakota, and I'm pretty sure that Public Service Commissioner Bruce Hagen and some of the others will be addressing this particular subject. But we are placed in a very unenviable position as a result of this because when rails are abandoned, they immediately come to the Highway Department and say, "Listen, you increased the load limits here just within the last two weeks, Walt, from 75,000 to 85,000 or 88,000." And to serve these subterminals you've got to have adequate roads built into these particular subterminals as far as grain movement is con-

cerned in the State of North Dakota. It has placed a tremendous burden on us. It is something that we have tried to cope with; I think probably these short lines that they're developing now might help, but as far as the highway network is concerned, our highway system in the State in the rural areas is very, very fragile and we've got to be very careful to protect it. If we increase the State road, there's no question about it. They're going to go on county roads and many times township roads as well, and you know what that can do and how fast it can deteriorate a road.

Senator BURDICK. Well, thank you, Mr. Commissioner, for your contribution today.

Mr. HJELLE. Thank you.

Senator BURDICK. We now have panel number one, which is composed of the following people. Would you please come forward to the witness table.

The Honorable Gene Hilken, Chairman, Transportation Committee, North Dakota State Senate; the Honorable Ron Anderson, Chairman, Transportation Committee, North Dakota House of Representatives; the Honorable Kaye Braaten, Commissioner, Richland County and Chairman of the Intergovernmental Relations Steering Committee, National Association of Counties.

Thank you.

STATEMENT OF HON. GENE HILKEN, CHAIRMAN, TRANSPORTATION COMMITTEE, NORTH DAKOTA STATE SENATE

Senator HILKEN. Thank you, Mr. Chairman. Senator Burdick, it is my pleasure to be here. As the previous speakers said—the very articulate Ray Barnhart and the very articulate Walt Hjelle—we're certainly coming down to scale.

I appear before you, Quentin, as the Chairman of the State Transportation Committee. This past session, I want you to know, was my first session on that committee; in fact, being elevated to the chairmanship, so I'm learning more and more about the transportation problems in North Dakota.

I might mention also that, as you are aware, the legislature in North Dakota meets every other year, so the senatorship in North Dakota isn't a full-time job. The wages must come in, and I'm trying to make my living in farming. As such, we are in full grain harvest, and I left the combine last night at 1:00 o'clock this morning.

I mention these two items only to indicate to you that I certainly have a concern; in spite of this, I wanted to make it a point to be here and at least get some of the comments on the road conditions in the committee hearing.

I'll go to a formal presentation. Also, I'd like to indicate that I will focus my comments more to the county and township road network. As you are aware, my district is Kidder, Sheridan and Burleigh Counties, rural Burleigh. It's extremely rural, and I'm sure others will point to other roads and their problems.

North Dakota has a very extensive road network. We have, as has been indicated, over 106,000 miles of roads, streets and trails. They include 7,300 miles of highways and 20,000 miles of county roads; 55,000 miles of township roads; 3,400 miles of city streets;

and over 20,000 miles of trails. Thus, the local jurisdictions—that's the counties in North Dakota, 53 counties and 1,360 organized townships—are responsible for maintaining, if the figures are correct, almost 90 percent of the total road network in North Dakota.

I might point out that in North Dakota's road system, the county and township are vital to the economic health of the State, as these roads serve as feeder systems to our State and Interstate road systems and provide access to these rural communities and farms. North Dakota's agricultural strength and capacity is only as strong as its transportation system that allows its products to be transported to market. The rural farm network provides a vital link in moving these farm products to market. Trucks are generally the preferred mode of transportation used for these products; thus, while the miles traveled on local roads may seem minimal, those that are traveled are essential.

There are many changes that have occurred at the local level in the past few decades tnat have had major impact on transportation systems. One of the major changes has been a shift in population. The number of farms in North Dakota has been steadily declining. In 1930, a long time ago, there were about 78,000 farms in North Dakota, averaging about 500 acres per farm; by 1986, the number of farms had declined to about 33,000, and the average farm size has increased to over 1,200 acres.

I alluded to the population decline. In 1940, about 327,000 people—or over half the State's population—lived on farms. But now, by 1980, the rural population declined to about 103,000, or about 16 percent of the State's population.

The demands on the road system have changed through the years. Although traffic densities may have declined in rural areas, equipment moving on these roads is larger and heavier. The movement of traffic is often hindered due to the poor condition of the roads and bridges. The State Highway Department estimates that approximately 8 percent of North Dakota's roads and bridges were built prior to 1950. The problem is that this system of roads and bridges was, for the most part, designed to meet the needs of a half century ago—rural, horse-drawn. Roads in my area are—if you remember, Senator, the term "mucker roads," built for drawing equipment by Caterpillar, that had conveyors that elevated the dirt to the same height over hills and low places. There are many of those types of roads, not conducive to heavy equipment.

Since that time the social and economic patterns have changed. The nature of farming has altered traffic patterns in the local road network. These are old roads and bridges and they are obstructing the movement of our State's agricultural products. The roads are still needed, but the population base to support this road network has declined, making it extremely difficult to generate needed funds for local roads and bridges.

Bridges, rather than roads, are often a more critical safety problem. The average travelers can reduce speed and travel a poorly maintained road with reasonable safety; they are not, however, in position to judge the safety of a bridge. North Dakota is faced with a major bridge problem. There are over 6,100 major structures—those that are over 20 feet—and 4,200 of these major structures are located in the county and township system. Almost 3,000, or 49 per-

cent, of the major structures of this State are deficient. About 2,800, or 93 percent, are in the local county and township road system. In addition, there are 3,500 minor structures, those under 20 feet, in the county and township system. These minor structures are not eligible for Federal aid and are the responsibility of the local jurisdictions.

Compounding the funding situation at the local level was the loss of Federal revenue-sharing funds. Many local jurisdictions used these funds to purchase equipment to use for local road improvements. The loss of Federal revenue-sharing cost the State nearly $13 million annually, and to make up for this loss of revenue, counties would have to increase their local taxes—the counties themselves by 14 percent, cities by 12.5 percent, and townships by 14.7 percent—all this at a time when the farm economy is depressed and it is extremely difficult to raise local property taxes to replace the loss of Federal revenue-sharing.

As a legislator, I am well aware—in the last session we had to reduce every program and make cuts in every one of them; and if services are needed in the local area, where will it fall back but the local property tax? So I am strictly indicating, certainly, that there is no more room in the local property tax.

Railroad abandonment has been mentioned, and that continues to be an economic threat to many rural North Dakota communities. There are over 60 communities in the State, including counties, that no longer have rail service. Over 550 miles of track have been abandoned in the State since 1980. In an area that has relied on rail service, the only alternative available is, yes, trucking, which means that more commodities are moving longer distances on the roads. My district itself has many more branch lines, and many of those branch lines have little or no service.

A side effect of railroad abandonment has been the development of subterminal elevators. Changing market patterns due to the development of these subterminal elevators would ship the grain in unit trains, which would put a great deal of pressure on the local road network. In many instances, there is a large concentration of heavy loads on a few roads leading to that subterminal elevator. Local roads, streets and bridges were not designed to handle the number and concentration of these heavy loads traveling on these roads.

I don't know, Senator, but maybe grass roots examples would be the thing to tell you. For instance, you are aware of some of these areas; in McClusky, in the Goodrich area, the manager of an elevator called up and said, "Senator Hilken, what can you do? I need to get grain out. There have been no trains for five months. We have to move the grain. The trucks that are available are severely restricted on the amounts that they can haul because of load limits at this particular time. Is there any way that you can get more money so we can get thicker asphalt so that we can haul heavier loads?"

Senator, in another example, the weighing area—this has to do with gasoline transport. They have load restrictions. They call me up and say, "We need gasoline, and we aren't competitive." "What do you need?" "I get a load of gasoline, and they can only haul a partial load." I don't know what that amount is, but "a partial

load, and I have to pay for the total amount of load. We need heavier asphalt. I have to meet the competition of my competitor down the road, and I have to pass my fees on to the consumer, and I can't match that."

Another example might be, Senator, that in Burleigh County, Bismarck is part of our rural area, and the County Commissioners decided just last week to go out and see what the grass roots might have to be saying in the country. They went to a small town, and they found out that—they talked for about three and a half hours, mostly on rural roads. They indicated, "We can't get by with our poorly-maintained roads. We can't get by with the big holes in our roads. We can't get by with using log chain brigades to pull trucks through, especially to get to town to deliver the grain." That type of thing. One farmer complained, which is true, that the equipment is heavier; his digger went down in the road, completely to the bottom; it broke the undercarriage on one side.

We need better roads. Those are true grass roots examples.

In summary then, public roads are scrutinized by the motoring public on a daily basis. All levels of Government are having difficulty in generating adequate revenue to meet these demands for service by the general public. This is especially true, there again, at the local level. The local road program must compete with other programs for funding. In addition, as a result of declining revenue at the State level, due to the increasing fuel efficiency of vehicles, plus some loss—as has been indicated—to the sale of gasohol, and the general economic condition of the State, the revenue that the local jurisdictions have been receiving for roads and streets has certainly been declining. This is compounded by the cutbacks in Federal funding.

As a result of the cutbacks in Federal funding for rural roads and bridges, local jurisdictions have been apt to cut back on their services. Some roads are no longer maintained on a regular basis. Structures are being replaced by culverts or low water crossings, or in some cases, completely eliminated. Some counties have or are considering turning paved roads back to gravel. One major concern of local jurisdictions when services are reduced is their vulnerability to lawsuits as a result of these inadequate roads and bridges, and in particular the condition of the road surface, the bridge condition, and proper signing for the areas are liability concerns to local officials.

A feasible solution to the local road and bridge problem will require additional funding at the local, State and Federal levels. The needs are there. I hope this is indicated to you, that if the additional revenue is not provided, services will have to be—as I indicated—reduced further. While decisions to reduce services are not easy and are not politically desireable, they are essential if the cost of maintaining our transportation system continues to increase.

I don't mean to be completely low-key. The Highway Department is doing all it can with funds available. I feel the State Legislature is doing their bit. You are aware, I assume, that the last legislative session in fact increased the gas tax, the fuel tax, 4 percent. They increased the licensing of vehicles by $5 for each vehicle, and they extended the aging schedule, which helps bring in more money. So

we are doing our bit there. Local property taxes have been increasing.

I hope this indicates that the need is there, and we hope something can be done.

Senator BURDICK. Thank you.

I now call the Honorable Kaye Braaten, Commissioner of Richland County.

STATEMENT OF KAYE BRAATEN, COUNTY COMMISSIONER, RICHLAND COUNTY, ND

Ms. BRAATEN. Mr. Chairman, thank you for this opportunity to speak to you today about some of our concerns about the transportation system as it affects our smaller communities and our rural areas.

We have the same concerns as others about the changing partnership of the local, State and Federal Government, with the Federal Government moving the farm and market road program farther and farther down their list of priority items, leaving more and more of the financial burden to the State and local jurisdictions. My concern grows as I watch our farm economy struggle to overcome the problems of the last few years, and realize that we, as County Commissioners, are dealing with the difficult decisions of which roads and bridges we should turn back to gravel, or close completely, due to the lack of funds.

In Richland County, we are doing a long-range road and bridge program and study with the help of the North Dakota State Highway Planning Division. Without their help, we would be unable to accomplish such a large task. We are seriously looking at closing bridges, discontinuing blacktop projects that have been projected for 20 years, and cutting back on the number of miles of road that we maintain. These are very difficult political decisions that have to be made. These are also decisions that will cost the farmers in our county money, and raise the cost of production of their products, because we will be asking them to drive more miles to get their products to market.

This seems contrary to the buzz-word in Washington these days, "economic development," and doing everything possible to help industry to succeed. Agriculture has been one of the basic industries in our Nation; and yet, we are asking, once again, that they pay a larger share.

A recent Federal Highway Administration study showed that merely halting deterioration in the Nation's highway network would improve economic growth for the economy as a whole, with national income 3.2 percent higher, and inflation 8 percent lower than if road conditions were allowed to deteriorate as in the late 1970's. Clearly, the Nation's network of roads, streets and bridges is of vital importance to the economy. Local and rural roads are of great importance to the overall category as they provide the necessary access that makes the network function. This is most noticeably the case in rural roads, which provide farm-to-market routes. Transportation costs are a significant factor in farming, as well as in other rural industry.

To the extent that increasing transportation costs due to deteriorating road conditions can strain these markets, this imposes a net drag on the economy as a whole.

Some of this information that I have just given came out of a draft copy of the study, "Problems in Financing and Managing Smaller Public Works," being done by the National Council on Public Works Improvement. I was glad to see rural roads and bridges get some part in this study because in the executive summary, of the first nine studies done by this group, smaller systems and rural areas were definitely overlooked.

Again, back to county systems. We in Richland County—and in other counties—have attempted to pass local mil levies to maintain our farm-to-market road system, but have failed to get them passed, and we, as Commissioners, have understood why. We have watched the economy of our counties and watched the fear grow among our constituents for their livelihoods and understand their hesitancy to place an even greater burden on property tax.

I feel, as you stated in your letter of invitation, that the building and rebuilding of our transportation system is a major national concern, and that the Federal Government needs to continue to play a large part in the partnership of Federal, State and local to maintain this system as a whole.

We do realize that we need to reassess our local road and bridge systems to make them the best possible for the needs of our counties and smaller systems, but we need to do this in a logical, well-thought-out method so we don't jeopardize our local economic health.

I do not have the time to go into detail about the work that we have done on the local road and bridge study, but I did bring copies along for you to look at so that you can see that local County Commissioners, along with the help of the State, are trying to be cost-effective and to do the best possible job with the dollars that we do receive. We in local government have really felt the loss of general revenue sharing, and we will feel it even more so in the next year.

In closing, I would certainly hope that the push that is on in Congress to raise the Federal gas tax to strive to eliminate the deficit would be thought out very carefully. Trust Fund monies ought to be used only for what they are raised for, and they ought to be spent for that purpose each year. It does not seem right to me, or other County Commissioners, that that money should be held in account.

Thank you again for this opportunity, and I would be glad to answer any questions which you would have.

Senator BURDICK. Well, thank you very much. I don't think I have any questions of either one of you.

Ms. BRAATEN. Thank you.

Senator BURDICK. Thank you again.

Our next panel will be Mr. Bruce Hagen, President, Public Service Commission; Mr. Jack Daniels, Chairman, North Dakota Aeronautics Commission; and Dan Zink, transportation economist, Upper Great Plains Transportation Institute. Are you all here?

Gentlemen, any degree of shortening your testimony would be appreciated, without losing the effect.

Mr. Hagen, please proceed.

STATEMENT OF BRUCE HAGEN, COMMISSIONER, PUBLIC SERVICE COMMISSION

Mr. HAGEN. Thank you very much, Senator.

First, I would like to thank you too, as Walter Hjelle did, for bringing this important hearing to the State of North Dakota. It's important to the people in the State; it's important that the country hear what we have to say. We appreciate your going up and down the section lines and also going up and down the roadways and the railroad tracks, because that's what it's all about.

Just one little correction. I'm not President of the Public Service Commission. Commissioner Dale Sandston is the President right now. We move that around.

I am pleased to be here, and I do appear as a Public Service Commissioner and also as Chairman of the State Intermodal Transportation Team. SITT was created by State law, and it functions to facilitate communications between State agencies involved in transportation. I appear representing SITT and also as a Public Service Commissioner. The remarks I make are my own.

The fruits of farmers' labors would be of little value if it weren't for transportation. Value is created only when grain is delivered to processors and the consumer. North Dakota is dependent on transportation, and agencies such as the North Dakota Highway Department, Public Service Commission, the Wheat Commission, and other agencies and groups take an active role in attempting to ensure that State shippers are provided with reasonably-priced services in a rapidly changing environment.

The two major railroads that serve North Dakota provide us with excellent service, and I want to emphasize that. We're lucky to have them. Burlington Northern has over 2,200 miles of track in the State, while the Soo Line has just over 1,200. The Red River Valley & Western Railroad, which commenced service on July 19th, 1987, over lines previously owned by Burlington Northern, has 670 miles of track. These carriers combine to haul nearly 80 percent of North Dakota's grain to domestic processors and export destinations.

The rail industry and the elevators it serves have undergone dramatic changes since 1980. In late 1980, the State's railroads implemented rate discount programs for multiple car shipments. The discounts are in place and they have encouraged over one-fourth of the 580 public elevators of North Dakota to expand to load unit trains. These 150-unit train loaders now market over 70 percent of the State's grain. The railroads' market share has risen from less than 60 percent to nearly 80 percent. One-fourth of the elevators handle nearly three-fourths of the grain.

The restructuring of the grain elevator industry that started with the implementation of unit train rates is far from over.

Unit train rates have encouraged concentrations within the grain elevator industry. This is creating a problem for many small elevator operators who do not use unit train rates. Eventually, it may force many small elevators to operate on a non-public basis for personal use. If a shipper doesn't have the advantage of a unit grain train rate at one elevator, they tend to try to market their grain where they do have the advantage of unit grain train rates.

This also helps shift the purchasing of elevator services and supplies to the elevator where the farmer markets his grain. Although this is the marketplace at work, railroad traffic rates are a significant part of the cost. But—and I emphasize—shippers want those rates. Farmers want those rates. We, as regulators, try to help affected elevators by trying to help them in whatever way we can, including helping them find alternative markets for specialty crops, such as buckwheat, high-protein wheat, millet, flax, etc.

Unit grain train facilities are not all bad, however. In some cases, they breathe new life into outlying elevators that serve as feeder or satellite stations. These satellites serve as collection points; grain is then commercially trucked from these stations to the main elevator. Rail rate savings are shared with satellite patrons by farmers. This also means more use and damage to the road system that serves the satellite stations and their unit grain train elevators; thus, unit train rates create increased use and wear to our road system.

The unit train elevators realize economies over and above the railroads' rate discount. They have the capacity to blend grain to buyer specifications and to ship to non-traditional markets, such as mills in New York or feedlots in Arizona. These capabilities all result in more profitable elevators and higher prices to farmers.

Just as we have, are, and will see transportation-related changes in the grain elevator industry, we will continue to see changes in the structure of the rail industry. Twenty-five years ago, North Dakota was served by six railroads that operated nearly 5,200 miles of track. By early 1987, we had only three railroads and 4,200 miles of track.

Rail mergers and bankruptcies were the rail topics of the 1970's. North Dakota saw the joining of the Great Northern and the Northern Pacific. We also saw the demise of the Milwaukee Road. The changes were not always easy to adjust to, but we lived through them, and I believe we have a stronger transportation system as a result.

Our road system is excellent, although it needs some money, as Walter Hjelle told you, but our road system has had to bear an increased burden as railroad abandonments have taken place. We must do everything possible to ensure that our highway system remains in first class shape if we are to have the transportation system that we need.

The 1980's have brought us abandonment, deregulation, and shortline railroads. Nearly 700 miles of North Dakota branchline have disappeared in the 1980's. The railroads had very aggressive abandonment plans in the early 1980's, and we learned under fire how to successfully protest abandonments when they weren't warranted. Our successes, I think, have helped to slow the railroads' plans and have helped to force them to reevaluate their positions. The new "go slow" approach, coupled with restructuring of the elevator industry that I discussed earlier, is resulting in the rebuilding of some branchlines and uncontested abandonments. The PSC evaluates each proposed abandonment and surveys shippers, other transportation entities, and the public interest before taking a position on any proposed abandonment. The marketplace—rather than

the railroads by themselves—helps determine when abandonments should occur.

The North Dakota Highway Department handles the rehabilitation of branchlines when Federal money is available. They work closely with our Commission, which must approve the funding. And I must say—and I'm saying this for all Commissioners, all three of us—they have done excellent work in a working partnership with our railroads.

Eliminating branch rail lines, as well as unit grain train rates, means increased truck traffic to move whatever grain originally moved over the branch line. With the loss of nearly 700 miles of line in the 1980's, the long-term pressure on our State's road system has substantially increased. Under whatever scenario, there must be adequate funds for maintaining and improving our road system. Railroads cannot move grain unless the grain is moved into our country elevator system and then loaded and shipped by railroad. This working partnership must be maintained and improved.

The Staggers Act of 1980 brought deregulation to the rail industry. We were concerned about what it might mean to areas like North Dakota with few transportation alternatives. We have worked hard with shippers, carriers, our Congressional delegation, and the ICC to ensure that captive shippers are protected from monopolistic practices.

Generally, we have been successful. On a whole, our rail rates are lower now than they were in 1980, and shippers have more service options. And more important, our railroads are healthier.

This does not mean that we are totally satisfied with the Staggers Act and the ICC. We continue to have some philosophical concerns with existing laws and rules. We are still actively engaged in seeking changes that would ensure that North Dakota shippers have ready access to a high level of service and reasonable rates.

Seven years after passage of Staggers, the ICC is still conducting a rulemaking proceeding to decide how to handle rate complaints from shippers such as North Dakota's elevators. And contrary to congressional intent, the ICC has avoided opportunities to encourage competition between railroads.

The Staggers Act was intended to eliminate regulatory oversight where competition exists and to provide protection where it does not. The ICC has failed to promote competition or to provide workable mechanisms via which captive shippers can seek regulatory relief. Unfortunately, congressional intervention may be the only solution.

There is a problem with competitive access between railroads. In other words, more joint routes and joint rates and open gateways are needed.

The latest change to hit North Dakota's rail scene is shortline railroads. The 1970's brought us mergers, and the 1980's are bringing us divestitures. On July 19, 1987, the Red River Valley & Western Railroad acquired and began operating 670 miles of BN track in southeastern and central North Dakota. The Red River appears to be a well-organized business, and we look forward to working with them and the shippers and communities they serve. Hopefully, it will be a long and mutually beneficial relationship. Presently, the PSC is doing an evaluation of their operation under the law

that North Dakota has to examine shortlines. This is a little slower than we would want it to be; our chief accountant died and the other one retired, so we had to borrow some accountants from the Bank of North Dakota and it has taken us a little longer than we would like it to take to make that evaluation. But we do hope that in the long term, the services of Red River and the rates will be adequate and fair to the shippers in the State.

Other States have been less fortunate with shortlines. The possibility of shortlines has prompted us to seek Congressional action to require a more formal administrative review of proposed shortline sales by the ICC. Our goal is not to inhibit or promote the creation of shortlines, but to ensure their ability to provide long-term service to affected shippers. There should be standards for buyers and public input before any shortline sale.

Although neither the PSC nor SITT have any jurisdiction regarding railroad labor and their relationship with shortline railroads, or other railroads, I believe railroad labor should be treated fairly in all respects. A strong working partnership with incentives for labor to share in the profits should be promoted. North Dakota rail labor is the best in the country.

What does the future hold in store for North Dakota's rail system? I think the past is reflective of the future; change is inevitable. The only thing that will not change is North Dakota's dependence on transportation. This dependence and our lack of transportation alternatives forces shippers and organizations and agencies such as the North Dakota Highway Department, the Wheat Commission, the PSC and the Upper Great Plains Transportation Institute to be activists for all North Dakota citizens and to seek action that will result in the satisfaction of North Dakota's transportation needs.

Necessity forces us to remain activists in rail transportation and highway matters. We appreciate your continuing concern and assistance to help ensure that this is possible.

Thank you very much for the opportunity to appear.

Senator BURDICK. Thank you.

Mr. Daniels, North Dakota Aeronautics Commission.

STATEMENT OF JACK K. DANIELS, CHAIRMAN, NORTH DAKOTA AERONAUTICS COMMISSION

Mr. DANIELS. Mr. Chairman, it is apparent based on my being here today that the desire on the part of the aviation community in the United States of America is to get itself out of the DOT. Everyone up to this point, and 90 percent of those that I see in the group, have rubber tires, blacktop strips, and steel wheels going around in their brains, and are dealing with those issues primarily. The aviation community is, indeed, a part of the transportation needs of the universe, as well as the United States, and particularly the State of North Dakota.

I have submitted copies of the document that we have prepared in testimony to your staff and would ask that those documents be made a part of the record.

With that point in mind, then, I'd like to emphasize Exhibit A in the document that we have prepared, and identify with the need

for rural America to find itself a place in the scheme of things in these United States. I'd like to suggest that the residents of North Dakota and rural America are not second class citizens, and those people who are in the process of rearranging the apportionment for the distribution of the highway funds, particularly the Trust Fund monies that are paid in to the Government of this country, give some thought to paying thirty bucks for a pizza in California because all of the durham is raised in North Dakota, if we don't get our fair share of what they generate in revenue to make that possible. If those people who are dealing with those subjects think that it's appropriate that rural America be treated less than those residents in the urban areas, I'd like to suggest that we'll give them a $30 pizza and they can come to our house.

In particular, the items that are covered in the issues that were presented, those that you outlined at the outset in your opening remarks—I'd like to comment on item one. I think that the residents of the State of North Dakota will, indeed, pick up the tab for their share of the revenues needed to match a properly-apportioned share of the Federal Highway Trust Fund money. Senator, a moment ago you commented about paying an additional $0.04 tax on gasoline. I think that that's within reason. I think the residents of the State of North Dakota accepted that as a "must" if we're going to get from A to B within the confines of the State of North Dakota, and I take the strongest possible exception as an individual for the exemption of anything used in motor fuels, for whatever reason, in reduction of the tax applied thereto.

Item number two, diversion of highway user fees for nonhighway purposes. I'd like to suggest that the Congress of this country put "trust" back in the word, that the Trust Fund monies that are paid in be used for highway purposes. If there are needs for other things associated with the highway, the residents of the community can pick up the tab in the form of a real tax, applied for the real purpose for which the money is being spent.

Item six, apportionment formulas, I talked about the $30 pizza in LAX, and if that's the way they want to play the game, I suggest that middle America can survive very well without what the urban and metropolitan areas of this country provide us, versus what we provide them.

A quick and simple explanation of what happens in the economy of this Nation can go back to the ground. I'd like to suggest that it starts in the ground and it ends in the ground, and if it don't come out of the ground, there is no need for anything else on the face of this earth.

Alternate methods of financing and maintaining the highway system—I'd like to suggest very strongly that this Nation, which is 211 years old, quit trying to finance the defense of the rest of the universe. Those people for whom we are providing defense in foreign nations ought to be paying the bill, then we could get on with the Gramm-Rudman-Hollings program and get our country back in the shape that it ought to be. It seems infantile for me to go to my grandson and ask him what I ought to be doing next, and it looks like that's what the rest of the world is doing to the United States.

Speed limit—Mr. Hjelle identified with the speed limit, and I cannot understand why it's necessary for 535 people in Washing-

ton, D.C. to tell any State in the Nation what it ought to do as far as speed limits on its highways are concerned. I think Mr. Hjelle and his law enforcement people and the Governors of all States, based on the conditions in those States, are the ones that should set those limits. At the very least, it ought to be done by the State legislative bodies; and if they can't do it, we can arrange to replace them with people who can.

Any other issues relating to the Federal Highway Program or rural transportation needs—I suggest that I step into this one and identify only with rural transportation needs. We need to get the Essential Air Service program off of dead center. We made considerable progress last week at the Washington level in that regard, and I think that we're moving forward with that. The support that you have given us in attempting to get that program off dead center and reenacted is very much appreciated, and I stand ready, willing and able to answer any questions you might come up with.

Mr. Zink?

STATEMENT OF DANIEL L. ZINK, TRANSPORTATION ECONOMIST, UPPER GREAT PLAINS TRANSPORTATION INSTITUTE, NORTH DAKOTA STATE UNIVERSITY, FARGO, ND

Mr. ZINK. Thank you, Mr. Chairman, for the opportunity to testify here today.

My comments will be focused primarily on the changing agricultural marketing system in North Dakota, and within those confines, particularly on the country elevator system in North Dakota.

We've heard quite a bit already about subterminal elevator development in North Dakota. Country elevators have been undergoing some pretty significant changes recently, but this has been going on for several decades. At one time, around the turn of the century, North Dakota had about 2,000 elevators in the State; that number is down to about 550 right now.

We've heard some of the negatives associated with subterminal elevators in North Dakota, and of course one of those is the traffic diverted to subterminals, and that traffic often goes over local roads. I think it's important for us to remember, however, that subterminal development in this State has amassed pretty substantial benefits, particularly for farmers and for the economy as a whole. They have provided, number one, lower transportation rates for farmers and for shippers in North Dakota, and also increased transportation shipping capacity. We only have to think back a short eight or nine years ago, when the term "boxcar shortage" was a topic in every coffee shop in North Dakota, and these elevators and unit train shipments have helped to alleviate some of those problems.

There is the associated problem, however, of truck traffic over local roads into subterminals and, in fact, into all elevators in the State, and that is something that has to be dealt with. For example, in crop year 1984–1985, approximately 30 million bushels of grain was shipped between elevators in North Dakota, presumably for reshipment by rail.

The point, I guess, of my discussions is that we can't afford right now for any sources to be cut back that would be eventually diverted to rural roads.

Thank you very much, Mr. Chairman.

Senator BURDICK. Thank you very much. We thank the panel very much for their testimony today.

Our next panel will be composed of Mr. Ray Cross, staff attorney, Three Affiliated Tribes; Mr. Jerome Knudson, Member-at-Large, North Dakota Township Officers Association; the Honorable Marlene Eide, Commissioner, Williams County, and a member of the Transportation Steering Committee, National Association of Counties; and Robert E. Johnson, Executive Director, North Dakota League of Cities.

We would appreciate it, if possible, that you would keep your testimony within five minutes or so.

Proceed as you wish, from left to right.

STATEMENT OF RAYMOND CROSS, STAFF ATTORNEY, THREE AFFILIATED TRIBES, FORT BERTHOLD RESERVATION, NEW TOWN, ND

Mr. CROSS. Thank you very much. My name is Raymond Cross, and I am the staff attorney with the Three Affiliated Tribes. I'd like to thank you today, Mr. Chairman, for inviting the Three Affiliated Tribes to testify regarding their transportation needs on the Fort Berthold Reservation. I've submitted copies of my testimony to your staff, and I would like that included in the record.

The current transportation needs of the Three Affiliated Tribes stem directly, Mr. Chairman, as you know, from the taking in 1949 of over 156,000 acres of trust lands as the site for the Garrison Dam and Reservoir. This Federal taking, and the consequent removal of the tribal people, fundamentally altered the geography of the Fort Berthold Reservation. Before the advent of Garrison, the Three Affiliated Tribes lived in five tightly-knot communities along the river bottoms. That was centered around the Indian Affairs agency that was located at Elbowoods. As you can see from the maps that we've attached to our testimony, the tribal people then enjoyed easy access as between their tribal communities and the educational, social and welfare services that were available at Elbowoods.

More importantly, this fact of easy access allowed the tribal people to engage in social and economic enterprises that made them the only self-sufficient reservation within the Great Plains area; however now, after Garrison, the Fort Berthold Reservation has been split into five separate and isolated segments, and these segments are separated by a huge expanse of water known as Lake Sakakawea.

Early studies showed that there would need to be additional access roads and bridge access built across the reservoir if the tribal people on Fort Berthold were to regain the type of life they had known before Garrison. However, these recommendations were never realized. The Fort Berthold Reservation today, in stark contrast to its pre-Garrison status, is subject to dismal unemployment, health and social statistics. A recent Federal commission, the Joint

Tribal Advisory Committee, assessed the impacts of the Garrison Dam on the Fort Berthold Reservation. That commission concluded, based on expert testimony and hearings that Three Affiliated Tribes sacrificed much of its economic base to the success of the national Pick-Sloan Program. That commission also emphasized that the restoration of bridge access across the reservoir, as well as access roads, would be a prerequisite before economic and social development could occur on Fort Berthold. Specifically, the Commission found that the Three Affiliated Tribes were entitled to a replacement bridge across the reservoir at the old State Route 8 site at Elbowoods. This would be necessary, that Commission found, in order to ensure access between these segments of the reservation.

The Three Affiliated Tribes urge your committee, Mr. Chairman, to support that recommendation. Specifically, we would like this committee and the Congress to direct the Secretary to study and make recommendations regarding a bridge route across the reservoir that will ensure access and restore economic growth to the reservation. We would also like this committee to request the Secretary of the Interior to study the access road needs that exist on the reservation that exist as a consequence of the Garrison Dam.

Additionally, the tribes consider it the responsibility of the Federal Government to develop and maintain reasonable access roads to tribal rural homesites on Fort Berthold. The present roads policy of the Bureau of Indian Affairs excludes these important roads from their jurisdiction. The result of this policy is that many tribal families, including their children, are put at risk with respect to health care, fire and police protection, and educational access during the winter months on the reservation. The local agency estimates that about $800,000 would allow its Roads Department at Fort Berthold to construct and maintain reasonable access roads for the rural homesites. We urge this committee to request the Secretary to place tribal access roads within the Bureau of Indian Affairs' road jurisdiction on the Fort Berthold Reservation.

Further, the Three Affiliated Tribes would like to support the North Dakota State Highway Department's initiative to replace or rehabilitate the Four Bears Bridge. This bridge, because of its present narrow width of some 20 feet, represents not only a serious safety hazard, Mr. Chairman, but it also represents a traffic bottleneck to regional development in that area.

We would also like to mention that the Three Affiliated Tribes will shortly complete a study of road transportation needs, and we would like to transmit to this committee that study when it is available.

That concludes my testimony, Mr. Chairman. I would be happy to answer any questions that your committee may have.

Senator BURDICK. Thank you very much.

Mr. Knudson?

STATEMENT OF JEROME KNUDSON, MEMBER-AT-LARGE, NORTH DAKOTA TOWNSHIP OFFICERS ASSOCIATION

Mr. KNUDSON. Good afternoon, Senator Burdick. My name is Jerome Knudson; my farm is located one mile south of the Canadian border and 40 miles east of the Montana line in Divide County.

I am Chairman of Long Creek Township, and President of the Divide County Township Officers Association.

It is my privilege to speak before this committee as the northwest representative of the North Dakota Township Officers Association. Today, I would like to speak to you about local government needs for Federal aid in the construction and maintenance of roads and bridges.

At one time, the average farm family went to town once or twice a week, and the kids were not in many school activities. When I was in school, the county had four high schools and many country grade schools; today there is only one grade school and one high school for the entire county.

Farm families put a lot of miles on local roads. It is not uncommon to have one or more vehicles on the road at a time. To give you an example, a friend had a son playing basketball, and during his high school years we estimated that he could have driven around the world at the equator just to play basketball.

Now that our school is centrally located, we have 11 bus routes, with each bus averaging about 20,000 miles per year. With the depressed farm economy, many farmers and their wives have off-farm jobs to supplement their income. With the gradual loss of rural population our local businesses are closing, and it is not uncommon to have to travel 50 or 100 miles for parts, hospital, dental, and other services. These are just some of the reasons that the rural areas have to have good all-weather roads and bridges.

As Chairman of Long Creek Township I get involved with the problems of my township government at the grass roots level, including road building and maintenance. I would like to use our township as a representative model of the townships in North Dakota. We currently have a population of 58. There are 42 miles of township roads, 8 miles of county roads, 6 miles of State Highway 5 on our southern border, and three large bridges. All of these roads and bridges are used by school buses, mail routes, and for transporting of farm products to market. We get approximately $13,000 per year from the county, State and Federal Government to cover our expenses on township roads. It costs $10,000 to build and gravel a mile of road, plus yearly maintenance, snow removal, and other expenses for the balance of the roads in our township. We are always broke.

In 1986 we lost our Federal revenue-sharing income. As a representative of the North Dakota Township Officers Association, I urge you to introduce and support legislation to reinstate the Federal revenue-sharing program to help offset the increased cost to local government.

At this time I would like to make some personal observations. Some of the strings attached to receiving Government funds for roads and bridges should be reviewed. For example, there was a concrete bridge located one and a half miles south of my farm that was washed out during a spring thaw. The Federal Government agreed to give matching funds for replacing that bridge, but when the County Commissioners wanted to move the bridge approximately 50 feet east to straighten out a dangerous curve in the road, the Federal Government said that if we moved the bridge it would be considered a new bridge, and matching funds would not be

available. So now we have replaced the bridge in exactly the same spot and still have the dangerous curve in the road.

Many township and county officials throughout the State claim that it is sometimes cheaper to build a road with just county and township funds than to follow the Federal Government's road specifications required to get the money.

In conclusion, there are times when we all long to go back to a simpler way of life, but we can't go back to the times of the Model T. Instead, we need to cope with today's lifestyles and today's transportation needs. I would like to thank the Federal Government for its past assistance, and I urge this committee to support rural transportation needs in the future.

Thank you, Senator.

Senator BURDICK. Thank you.

Ms. Eide?

STATEMENT OF HON. MARLENE EIDE, COMMISSIONER, WILLIAMS COUNTY, ND, AND MEMBER, TRANSPORTATION STEERING COMMITTEE, NATIONAL ASSOCIATION OF COUNTIES

Ms. EIDE. Senator Burdick, I, too, would like to thank you for the opportunity to appear before you and discuss the problems we are facing in Williams County. Though I am talking specifically about Williams County because that is what I am most familiar with, I am also referring to all of western North Dakota. All of western North Dakota is very similar in geography, in population density, and in economy.

Williams County, in the northwest corner of the State, encompasses 2,162 square miles, with a population of 25,864 at the last census, roughly half of whom live in the city of Williston and about another one-fourth in the two townships around Williston. Our economy is agricultural, with energy production running second and tourism third.

Williams County is proud of being the boyhood home of Senator Quentin Burdick. My uncle was telling me last night of one unforgettable summer years ago when he helped Quentin herd sheep for his father, who also raised prize Hereford cattle and beautiful horses.

Williams County has 805 miles of county road. I would refer you to Exhibit A in the testimony that I handed you, which details our road system. McKenzie County, just across the river from us, is larger in geographic area than we are, but has a population of about 7,500. They have 1,400 miles of county road; about 100 of these miles are paved. McKenzie County has now passed Williams County in oil and gas production. Their share of the production tax is keeping their roads passable. The approximately $200,000 generated by real estate tax in their county would barely keep gravel on the roads. Recently, that commission faced a difficult decision on a bad road which provides access for two family farms. The road passes through a coulee about 125 feet deep, with a creek running through it. Engineers estimated over a quarter of a million dollars to repair the road and put in a bridge. The county did not have the money, so they decided to install a metal culvert in the coulee and

leave the road alone, so they have two very unhappy farmers driving on a very steep, very crooked road.

The Honorable Kaye Braaten, Commissioner from Richland County, has very eloquently presented the difficulties facing the agricultural community and the impact that deteriorating roads and bridges have on the agricultural economy. I would like to talk about the problems facing us in the energy producing area.

Williams County and western North Dakota were very fortunate to be the center of a rapidly-expanding oil and gas development area for several years. Unfortunately, this also brought the problems associated with the oil industry. Oil production does bring many negative impacts; one of the major impacts is the damage to the local road network. The influx of heavy vehicles and the associated volume of lighter vehicles has caused rapid deterioration of our roads and bridges. Please refer to Appendix A and B of the prepared testimony which details the traffic volume, weights and patterns.

Though exploration has decreased, we are still facing the impacts of production. Williams County has nearly 600 producing wells, which are shown on Exhibit B. Roads that were once graded every month or so are now graded weekly or more frequently. We hire additional personnel to deal with oil-impacted roads and we buy additional equipment. If a dry well is drilled, there is no production tax to offset the cost to the county.

With declining revenues, Williams County and western North Dakota still have the roads to maintain in the oil-producing area. Two years ago in an area in southwestern Williams County, over near Trenton, 11 oil wells were shut down for a period of 30 to 45 days as the roads were impassable for trucks to get in and haul out the crude oil. The oil companies met the Williams County Commissioners in an effort to get the wells back into production. The shutdown was costing the oil companies a substantial amount of money, as well as the lost production tax for the State, the county, and the school district. The county diverted some other funds, the oil companies contributed funds, and the road was finally put back into service.

Williams County has six roads designated as Federal Aid roads, and they are shown on Exhibit A. In 1987 we received $140,000 for our FAS projects. Any change in the formula which would decrease our allocation would be very keenly felt.

Over the years, Williams County has received a number of grants from the North Dakota Energy Impact Office to help with oil-impacted roads. Funding for this office has been drastically cut, and obviously we will be receiving substantially less money.

In 1985 there was a county vote to increase the levy for roads and bridges in order to pave a number of county roads. This was resoundingly defeated by the voters. The Commissioners certainly understood the vote viewpoint. We are in a very depressed economy; there are no jobs; homes are being foreclosed in record numbers; businesses are failing, and the filing of bankruptcy is common. The downturn in oil production, coupled with the distressed farm economy, concerned the voters, who were having trouble trying to pay their taxes at the current level.

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There are roughly 200 bridges in Williams County. The ones on the county roads are in fair to good condition; however, the bridges on the township roads are in very bad condition. If you refer to Exhibit C, which is a picture of a county bridge on the west edge of Williston—this road is a frontage road which provides access to several oil field service companies, a cement plant, and a cattle auction barn. We have no money to replace the bridge.

The needs in counties such as Williams County are critical. With the loss of Federal revenue-sharing and with the uncertainty of receiving the monies in the Highway Trust Fund, we are facing the closing of roads or decreasing maintenance. Inadequate maintenance opens the vistas for all types of lawsuits. We have had the State Department of Health declare roads as health hazards due to the dust generated by heavy traffic, but we have no money to pave these roads. We have roads so bad that the sheriff has sent deputies out to chase the motorists—who were driving in the ditches, as they were in better condition—back up on the roads.

Our roads need rebuilding. They need gravel, and we get further behind each year. As our local system deteriorates, the impact of poor or inadequate transportation downgrades the economy. It is a vicious circle of no money, no adequate transportation, poorer economic conditions, and even less money.

Each year as we prepare our county budget we are faced with an increasing number of Federal and State mandates in all areas, especially law enforcement and social welfare. As these mandates are funded, there will be decreasing monies available for roads and bridges.

We hope that the Congress will carefully consider before adding any additional user fee or gas tax for any purpose other than transportation. We have no other source to fund our road and bridge projects except the already overburdened property tax. It seems in the post-Interstate era we should also find some local relief through the reallocation of Interstate funds so badly needed for local projects.

Thank you for your consideration.

Senator BURDICK. Thank you very much, Ms. Eide.

Mr. Johnson.

STATEMENT OF ROBERT E. JOHNSON, EXECUTIVE DIRECTOR, NORTH DAKOTA LEAGUE OF CITIES

Mr. JOHNSON. Good afternoon, Senator. I have laid copies of my testimony over on the table there.

I am the Executive Director of the North Dakota League of Cities, appearing on behalf of the cities of this great State and at the request of our president, Tomy Clausen, who is unable to be here.

About 70 percent of North Dakota's people live in the 366 incorporated cities of this State. Over 350 of these cities are under 5,000 in population, and only 13 are over 5,000. The ruralness of our State makes it quite unique in its nature and its needs. As with other States, however, North Dakota is becoming more and more an urban State, as was noted in recent newspaper articles. This

phenomenon creates added responsibilities of our cities in their efforts to provide adequate street systems.

There are about 4,000 miles of streets in North Dakota. About 600 miles are part of the county and State road network; 42 miles are links to Interstate highways, and the other 3,318 are city streets. While 60 percent of street miles are located in cities under 5,000, 82 percent of vehicle miles traveled are on streets in cities over 5,000. I have some tables here in the testimony that will accompany what I am saying.

TABLE 1. SIZE DISTRIBUTION OF NORTH DAKOTA CITIES

Size Category	Number of Cities
0-100	74
101-500	188
501-1000	43
1001-5000	48
5000 and over	13
Total	366

TABLE 2. NUMBER OF CITIES, STREET MILEAGE, AND ANNUAL VEHICLE MILES, BY SIZE OF CITY, 1983

City Size	Number of Cities	Street Mileage	Annual Vehicle Miles
0-1000	305	1,543.7	142,456,435
1000-5000	48	733.6	145,246,055
over 5000	13	1,568.3	1,303,883,660
Total	366	3,845.6	1,591,586,150

Mr. JOHNSON. Financing the cost of these streets becomes a major problem. Outside of Federal funds, cities levy general and special taxes to make up 42 percent of the monies needed; they borrow another 25 percent; they receive about 21 percent from the State Highway Distribution Fund, and the rest comes from general fund monies and miscellaneous revenues. In 1985, the 13 cities over 5,000 identified 96 road projects that needed to be funded through the urban aid program. Only 15 of these projects could be funded. In 1986, there were requests to fund 93 projects through urban aid at a cost of $107 million; there was $3.6 million available in urban aid monies.

As more and more North Dakotans and others outside the State migrate to cities over 5,000, the demands placed on these larger cities—as well as the other medium-sized and smaller cities—will become more difficult to meet.

When one considers that it costs $1.5 million to construct one mile of concrete four-lane streets, or $230,000 in asphalt paving, it is easy to see the difficulty that cities have in meeting obligations in this area. Though gravel is an alternative, the dust and stones create a nuisance and a hazard, plus drainage is very difficult.

TABLE 6. URBAN PROJECT REQUESTS FOR FEDERAL FUNDS, BY CITY, 1986

City	Total Cost of All Projects
Bismarck	$ 6,650,000
Devils Lake	7,850,000
Dickinson	7,690,000
Fargo	34,400,000
Grafton	1,400,000
Grand Forks	12,500,000
Jamestown	1,711,000
Mandan	13,384,000
Minot	6,295,000
Valley City	2,050,000
Wahpeton	1,294,000
West Fargo	6,900,001
Williston	4,800,000
Total	$106,924,001

Cities under 5,000 in North Dakota receive no direct Federal aid. As indicated earlier, these cities are responsible for 60 percent of city streets in the State. Their ability to provide adequate funds was difficult before the past two legislative sessions; it has greatly diminished since then. The political subdivisions of this State have lost $13 million in general revenue-sharing and another $40 million in State general fund monies. Other conditions that have reduced the ability of cities to provide additional funds for streets include the tax increases passed by the last Legislative Assembly to meet budget needs, and the diversion of monies highway users have paid for streets, highways and roads. As a sparsely-populated State, highly dependent upon agriculture and energy for its economic base, it is critical to have a road system that allows producers to get their products to market. Because tourism is our third largest industry, it is essential to have a quality road system to enhance that industry. If North Dakota is to ever achieve its potential, part of which is economic diversity, it is significant to have an infrastructure that helps to promote that potential.

As our President has stated, cities are the engines that drive the economy. They are the cultural, recreational, social and religious centers of the State. They significantly add to the quality of life we enjoy in North Dakota. Therefore the cities, all cities, need financial assistance to maintain the streets that are part of the Federal, State and county system, as well as providing for the needs of urban dwellers. Please remember that in a sparsely-populated rural State such as North Dakota, with long distances between markets, a quality road system is not only important; it is essential.

Thank you very much, Senator.

Senator BURDICK. The message that all four of you have given to me is that we have to use more of our highway funds for local purposes. I believe that you heard the Administrator testify that only about 20 percent of the money is used for various projects, and 80 percent of our smaller roads particularly, in our rural communities, do not receive any benefits. In other words, the message that comes to me is that a higher percentage of the travelling dollar should go to the smaller roads. Is that a fair statement?

Ms. EIDE. Yes, it is.

Senator BURDICK. Very fine. Thank you all.

Our next panel will be Mr. Martin Fitzpatrick, Administrator, Office of Transportation, U.S. Department of Agriculture; Mr. Alan Bergman, President, North Dakota Farmers Union; and Mr. John McGauvran, Director of Public Affairs, Farm Bureau.

I presume we will go from left to right again—my left and your right—so we will begin with you, Mr. Fitzpatrick.

STATEMENT OF MARTIN F. FITZPATRICK, ADMINISTRATOR, OFFICE OF TRANSPORTATION, U.S. DEPARTMENT OF AGRICULTURE

Mr. FITZPATRICK. Good afternoon, Mr. Chairman. I appreciate the opportunity to present the committee with the results of a study recently completed by my office and to discuss briefly the work of

the Office of Transportation at USDA as it relates to the purposes of this hearing.

I would like to thank you, Mr. Chairman, for taking the leadership on this issue of major national concern. I think it is appropriate and necessary.

The Office of Transportation recently submitted to Congress a report entitled, "Rural Highway Finance: The Highway Trust Fund and Alternative Options." This report was in response to a request from the Senate Committee on Appropriations in Senate Report 99-438. I will highlight it briefly and submit the report for the record.

The study done by the Office of Transportation was undertaken to illustrate the correlation between contributions of nonmetropolitan jurisdictions through Federal taxes on gasoline, and the amount of money flowing back to these jurisdictions for construction and maintenance of their roads and bridges, and to provide information on the amount of road and street mileage under the jurisdiction of small communities and funding alternatives available to them for maintenance of their roads, streets and bridges. We adopted the Federal Highway Administration's definition of "rural" as being a community of less than 5,000. Urban, obviously, would be populations of more than 5,000. This criterion is used because it is the only population basis on which Federal Highway Trust Fund data is available. Since there is no comprehensive Federal source for information on the mileage under local control, a case study of four States was used to discuss varying governmental structures and responsibilities, to present information on current conditions, and to identify other revenue sources and options available to local rural governments.

Mr. Chairman, more than 80 percent of the national road system is in rural areas. The responsibilities are shared by the Federal and State governments, and a multitude of local governmental units—townships, counties and towns. A majority of the locally-controlled roads and bridges are and will continue to be maintained by a combination of State programs and local revenue sources.

In the four case-study States, approximately 30 percent of the township mileage and more than 40 percent of the county mileage is regarded by local officials as inadequate or barely adequate, according to survey results. More than one-third of the township bridges and nearly one-third of the county bridges are regarded as minimally serviceable, or worse. In the view of local officials, the cost of restoring local roads and bridges to acceptable standards far exceeds available resources in this four-State area. Townships alone estimate almost $2.5 billion would be needed; counties, $10.5 billion.

Financing is clearly the primary issue facing all levels of government. Between 1977 and 1985 counties, towns and townships did not experience real growth in expenditures for highways. Highway spending by counties, towns and townships during this period declined as a percentage of total spending by these governments.

Local governments receive funding from the Federal-Aid Highway Program through a variety of State mechanisms. A wide disparity exists among the States in terms of their organization, methods of distribution, and funding.

There definitely is a rural road and bridge problem, as outlined by all the speakers today, but not one necessarily attributable to the Federal-Aid Highway Program. Nationally, rural residents receive in Highway Trust Fund spending as much as they contribute in Highway Trust Fund taxes. They contribute more per capita to the Highway Trust Fund than do urban residents and receive greater spending in return. The average rural resident pays $9.16 more in Highway Trust Fund taxes in a year than the average urban resident, but also receives $19.08 more in Highway Trust Fund spending. The rural resident, in a nutshell, received $1.08 in return for every $1.00 contribution in taxes. Despite this apparent modest advantage, with only 20 percent of the rural road mileage eligible for Federal highway funding, solutions to rural highway problems will necessitate greater State and local government involvement and a partnership with the Federal Government.

The fairness question, however, cannot be answered simply by comparing taxes and spending over a relatively short period of time. First, the benefits of the programs are complex and are not necessarily proportional to the level of spending for either segment of the population, rural or urban. Second, these comparisons do not consider the greater number of miles of road per capita in rural areas, existing road conditions, nor the level of unsatisfied need. This translates into quality of service for area residents.

The third thing they do not consider is the revenue-generating capability of local governments. And finally, such comparisons do not consider the degree to which rural and urban residents derive differing local benefits from the Federal-Aid Highway Program, particulary the Interstate program.

In other related efforts by USDA and the Office of Transportation, a few years ago the Office of Transportation began a program called Access Rural America. It is rapidly becoming a principal thrust of the work of our agency. It is designed to cut across traditional industry and modal lines and focus on the rural community as the relevant beneficiary of Federal programs, and the principal governmental provider of needed transportation support services and facilities. Access Rural America recognizes that direct Federal involvement in many transportation issues, particularly with the advent of economic deregulation, has lessened. We are trying to work with State and local governments on a cooperative basis, not as either regulator or treasurer. This Federal role is in keeping with the USDA tradition.

One of our first major efforts in Access Rural America was in working with the Pennsylvania Department of Transportation and Agriculture, as well as other Pennsylvania State and local agencies and organizations. The work focused on identifying the network of roads considered most important to the State's agricultural and forest industries so that improvements would be made which directly benefit those industries. A two-county pilot study was completed and followed by a State-wide study that identified an agricultural access network of roads from which to plan and schedule improvements. The Pennsylvania State Extension Service played a critical role in helping State officials obtain information from farmers and local businessmen regarding the network and condition of roads used to transport supplies and products. The U.S. Depart-

ment of Transportation subsequently produced a videotape of the project for use by other State and local officials concerned with planning rural road and bridge improvements.

Mr. Chairman, we at Office of Transportation have conducted many programs that deal with the rural road and bridge problem throughout the past six years, and we have worked very closely with many States, as I mentioned before, and have tried to look at and form a partnership with local governments and State governments. And we continue to do that, and the Senate study that we have prepared for you is an effort to try to research and document some of the problems so that we can move toward solutions and strategies.

I will close, Mr. Chairman, by thanking you again for the opportunity to speak here today and the opportunity to present USDA's concerns. As we enter the post-Interstate era in highway programs, all levels of government must work together to ensure that adequate attention is paid to local, as well as national, needs so that the same problems that gave rise to the Federal-Aid Highway Program in the beginning will not be repeated.

I will be happy to answer any questions.

Senator BURDICK. Thank you.

Mr. Alan Bergman, you're next.

STATEMENT OF ALAN BERGMAN, PRESIDENT, NORTH DAKOTA FARMERS UNION

Mr. BERGMAN. Thank you very much, Senator, and thank you for conducting these hearings on a very timely and very essential topic as far as farm producers are concerned.

I think we have outlined some of the problems today. We have also outlined some of our concerns in the written testimony, and I'll just try to highlight a few things that I'm concerned about from a perspective not only as an organizational leader, but as a farmer and as a cooperative elevator director that has to move the commodities through our rural roads.

I think it's been outlined very well by the Great Plains Transportation Institute, Mr. Dan Zink, in his written testimony, of the changes in the system. As we changed modes and went from one mode to another, it has forced the producer to do certain things. Now, it has built a lot of efficiency into the system, but I don't know if the farmer has gained all of those things that are supposed to have gone directly to the producer. Yes, the system is more efficient, but I don't know if all the costs were translated back to the farmer because he still has to bear a number of costs that have been outlined.

One, he has to have larger trucks to move greater distances to deliver his commodities. He is doing it over more and more of the rural roads that are not being benefitted by the Federal Highway System. By doing this, he is also being taxed to maintain those roads. I think this is a double burden on the producer because he had to change systems, yet we have to maintain our own rural roads. This is a real problem for us.

In all of this, as we are being asked to be more efficient and cost-conscious as producers—because we're being asked to produce our

commodities at less and less cost—this is a major problem for us. I think I will outline to you, as Senator Hilken did, a personal observation. In our community, where we lost the railroad and now have to move over country roads to another—it's not a subterminal because we're still maintaining our own elevator, but a joint venture where we have a fast-loading facility—over the county roads, the county has now—not accused us, but basically said, "You're tearing up the roads," so they put on road restrictions, year-round road restrictions, decreasing the efficiency. We're having difficulty finding trucks to move across ten miles of county road to get to a State highway to get into a loading facility just because they will not move less than the 80,000 limit that they're legally allowed.

Now, this causes not only a problem for our local elevators but for the local producers. And certainly, it's been outlined quite well by the township officers and the county commissioners represented here today. We appreciate their problem. We're a part of that problem, as producers; so I think that anything that you can do to alleviate the problem and bring some funding to these rural roads is essential. We have the farm-to-market roads which were built—some of them in our area, and State-wide—they are 20 to 25 years old. They were hard-surfaced at that time. You heard the commissioners today; the same thing is happening in our county, returning them to gravel. A very, very difficult decision to make as far as public policy. In doing that, I think that we're going backwards.

So there is no Federal aid to repair roads. We built them once, but now the local subdivision has no money to repair roads. Probably there is a need that needs to be met.

Another thing that I would like to outline—when we changed form one mode to the other, when we lost the rail line and had to move the commodities over the local roads, I think there was an impact, and probably some impact aid could be looked at from the Federal level to help the local subdivision, because there is definitely an impact that has been outlined over and over again today.

I also want to just reiterate a few things that are in the written testimony. We do not need a change in the formula. We need more money in rural America if we're going to sustain and have a rural environment that can produce and feed this country and part of the world. I think we need more funding that is going to stay as dedicated funds; and it's been alluded to by almost everyone here today, that if we're going to tax more for the Highway Trust Fund, we put it in the Highway Trust Fund. Do not offset the national deficit with that. We need to find another means to do that.

Briefly, those are my concerns. Most of the rest is in the written testimony. I would be happy to answer any questions.

Senator BURDICK. Mr. McGauvran?

STATEMENT OF JOHN McGAUVRAN, DIRECTOR OF PUBLIC AFFAIRS, NORTH DAKOTA FARM BUREAU

Mr. MCGAUVRAN. Senator Burdick, I would like to thank you for this opportunity to appear before you today.

North Dakota has a small population with a lot of highway system to support and a real need for highways. North Dakota does not have large processing plants, but we export almost all of our

raw materials out of the State to be processed. Also, we must import all the necessities needed to live and work. A highway system with connecting highways in good repair is a necessity to us. We produce the commodities and send them to other States, thus making job opportunities in these States that help their economy and provide jobs for their people.

This State has a responsibility to the highway system. North Dakota has one of the highest highway user taxes levied in the United States. In the past few sessions of the legislature, we have raised the tax by $0.09 a gallon for a total of $0.17 a gallon. This costs our trucking industry millions of dollars a year, adding to the transportation costs of moving our commodities to market. We believe that the people of this State are really paying all they can in taxes at the present time with the poor economy and low income of our people in North Dakota.

Present highways in North Dakota were built for smaller trucks. Now almost every farmer owns a tandem truck, some even semis. This puts a greater strain on the system. Many of our highway bridges are unsafe and need to be replaced at a very high cost.

Farmers now move their grain farther. Every little town no longer has an elevator, and many farmers haul their commodities to the main line, where they are equipped to load unit trains. Some of the elevators are located on branch line railroads. Some of these lines have been abandoned, leaving only trucks to move grain. Other branch lines are being looked at and may be abandoned in the near future, putting a bigger load on our highway systems.

Speed limits have only been raised on our Interstate systems. Our other State and county highways remain at 55 miles per hour. These are the highways we are very concerned about. They are the highways we must use to move our commodities. Interstate highways are only as good as our connector highways we have to use every day.

Apportionment formulas in their present form are good and we would like to see them continued into the future.

Implementation of the Surface Transportation and Uniform Relocation Assistance Act of 1987 seems to treat us fairly, and we appreciate the hard work and dedication that you, Senator, took in getting this legislation passed.

Thank you very much. I would be happy to answer any questions.

Senator BURDICK. Thank you very much. I appreciate the testimony of all three of you.

Our next panel consists of Dave Kemnitz, President, North Dakota AFL-CIO; John Risch, State Legislative Director, United Transportation Union and Chairman, Joint Legislative Board of Railroad Labor; Warren Diederich, National Board Member, Associated General Contractors of America and Board Member, Associated General Contractors of North Dakota; and Chuck Peterson, Chairman, Greater North Dakota Association Transportation Council.

Mr. Kemnitz, you may proceed.

STATEMENT OF DAVE KEMNITZ, PRESIDENT, NORTH DAKOTA AFL-CIO

Mr. KEMNITZ. Thank you, Mr. Chairman. I would like to take this opportunity to thank you, Mr. Chairman, and your colleagues for the opportunity to address highway transportation needs in small communities in rural America, and also the opportunity to "preach to the preachers" in the audience.

North Dakota is not unique in its transportation needs. All rural States are faced with transportation infrastructure problems. However, North Dakota has additional geographic remoteness, coupled with a sparse population.

The key phrase for growth used by all States is "economic development." We have witnessed the use of this phrase for justifying virtually every act of the State Legislatures in their attempts to enhance revenue collections and to promote "jobs development," which is another key phrase. Good roads are one of the major assets for economic development in North Dakota; and in reverse, economic development is the primary reason for the deterioration of our roads.

Over the years, our North Dakota Legislature has relaxed load limits through longer truck trailers, heavier allowable gross weights, and higher pound per axle limits. This was done in the name of competition with other States who increased their limits and, of course, the Federal Interstate Regulations allowed for higher limits. Unfortunately for North Dakota, most all roads are asphalt or gravel, not concrete Interstate highways. Much of our road system was built with the 1950-era technology which, of course, could not envision our transportation methods of today.

Our dilemma is an ever-growing need for Federal general revenue dollars, of which we are getting less. Economic development in North Dakota hinges greatly on our ability to move raw and finished products. Obviously, we cannot airlift agricultural commodities and industrial products in and out of North Dakota. Just as obvious is the unchecked abandonment and sell-off of our railroads. We are left, then, with what has always been our primary mode of transportation, roads.

There are basically five primary job-creating industries in North Dakota. One is oil and gas, which is highly dependent on the market. Two is coal, used primarily for local electricity generation. Three is manufacturing, which is a very small percentage of our gross product. Four is government, which is self-explanatory. Five is agriculture and agricultural products, by far our primary source of income.

The service industry plays a large role with all of the above, but it hinges also on their success.

North Dakota basically serves its purpose to our Nation by supplying it with oil, gas, some coal, electricity, agricultural commodities—both raw and processed, some manufactured goods, and thousands of people yearly with strong work ethics and sound education. To do all of this over the years has taken a tremendous toll on our infrastructure and on our people. Rural America has served its Nation in countless ways. It will continue to do so only if proper attention is paid to its basic needs. Automation and large econo-

mies of scale have meant fewer jobs for North Dakota. They have also meant larger tax burdens for those who stay to do the work.

North Dakota has produced huge profits for industry and has generated tremendous wealth for this Nation. We only ask that those who are empowered to do so, give us our due.

Thank you, Mr. Chairman. I appreciate the opportunity to be here this afternoon.

Senator BURDICK. Thank you.

Mr. Risch.

STATEMENT OF JOHN RISCH, STATE LEGISLATIVE DIRECTOR, UNITED TRANSPORTATION UNION AND CHAIRMAN, JOINT LEGISLATIVE BOARD OF RAILROAD LABOR

Mr. RISCH. Mr. Chairman, I also appreciate the opportunity to appear before your committee. Once again, my name is John Risch. I am the North Dakota Legislative Director for the United Transportation Union. I am appearing today as Chairman of the Joint Legislative Board of Railway Labor, which represents most of the railroad workers here in North Dakota.

American railroad workers have a legitimate interest in highway finance matters. As much as 70 percent of all railroad traffic is potentially divertible to heavy combination trucks. When these trucks do not pay their full share of the costs of building and maintaining highways, other highway users and general taxpayers must make up the difference. This subsidy places railroads, which receive no right-of-way subsidy, at a competitive disadvantage, allowing trucks to capture a greater share of the transportation market than they justly deserve. This has a dual impact on our transportation system. It causes more damage to the Nation's highways and it underutilizes our Nation's railroads. Overused highways and underused railroads cause the deterioration of both.

In 1982, an exhaustive 3½ year Federal highway cost allocation study was completed by the Federal Highway Administration. That study found that the heaviest trucks—those weighing 73,000 pounds and more—were paying only 45 percent of their share of highway costs as of 1977, while the difference was made up by automobiles, vans, pickups and light delivery trucks.

Then Congress in late 1982, and again in 1984, addressed the issue of underpayment by the Nation's trucks by passing a series of higher fuel taxes and heavy truck user charges to finance an additional $5.5 billion in annual highway construction and repair work. But this legislation falls far short. According to the latest statistics compiled by the Federal Highway Administration, with the 1982 and 1984 increases in user charges, the heaviest trucks are still only paying 72 percent of the damage they do to the Nation's highways.

These heavy trucks—and in particular, heavy combination trucks—are the kinds of trucks with which railroads compete. When the trucking industry doesn't pay its full share of highway costs, it can pass those savings on to shippers in the form of lower rates. Lower rates may seem beneficial to the shipping public, but such artificially-reduced rates actually produce a more expensive

and wasteful transportation system, a transportation system that is grossly inefficient.

While some freight rates paid by shippers may be lower than if such subsidies did not exist, the costs still remain, except that they are paid by other users of the transportation system.

Subsidies to heavy combination trucks divert freight traffic from the most efficient overland transportation system—our Nation's railroads—to the less efficient, higher-cost trucking industry. Meanwhile, excess capacity is created on the more efficient railroads. Less traffic on our Nation's railroads results in inadequate maintenance of roadbeds, the loss of railroad jobs, and more rail line abandonments. The net result in truck subsidies is both poor highways and poor railroads.

This is why America's railroad workers have a legitimate interest in highway financing, an interest which demands that heavy combination trucks be required to pay in full for the pavement damage they cause.

I would like to thank you once again for being able to appear before you.

Senator BURDICK. Thank you.

Mr. Warren Diederich.

STATEMENT OF WARREN DIEDERICH, NATIONAL BOARD MEMBER, ASSOCIATED GENERAL CONTRACTORS OF AMERICA AND BOARD MEMBER, ASSOCIATED GENERAL CONTRACTORS OF NORTH DAKOTA

Mr. DIEDERICH. Thank you, Mr. Chairman. I am Warren Diederich, a highway contractor from Fargo. It is a distinct pleasure to appear before you today, and to give you my views on the importance of an adequately-funded highway program on the highway construction industry for the economy of North Dakota.

Let me start out by stating two basic principles in which I firmly believe. First, the continued productive capacity of North Dakota's economy absolutely depends on the availability of an adequate highway system and the existence of a healthy and productive highway construction industry. Therefore, the rebuilding, revitalizing and expanding of North Dakota's highway system is imperative to our State's future.

Second, North Dakota's need for more and better roads and bridges—indeed, the need of every State for roads and bridges—is not just a local or State issue. It is a national issue that must continue to be addressed nationally through an adequately funded Federal-Aid Highway Program. North Dakota's highways are, after all, not only of vital importance to the health, safety and general welfare of our State's citizens; they are in a very real way also essential for interstate and even international commerce.

A continued Federal role in building and rebuilding North Dakota's roads and bridges is, therefore, altogether appropriate, Mr. Chairman. At this point I would be remiss if I did not recognize the leadership role you have played in the Congress in seeing to it that the citizens of this State—and indeed, every State—benefit from a strong Federal-Aid Highway Program. Your leadership role in bringing about the enactment of the 1987 Highway Act, which ab-

solutely saved the 1987 highway construction season in North Dakota, is particularly appreciated by this State's highway construction industry.

I spoke a moment ago of the importance to North Dakota's economy of an adequately-funded highway program and a healthy highway construction industry. This vital link can easily be shown. In terms of dollars, this State's road construction and maintenance industry, according to a study by the Department of Agriculture Economics at North Dakota State University, pumped an estimated $154 million into local economies in 1985. That figure translates into total business activity of almost $428 million, personal income of $131 million, and retail sales of $119 million.

Benefits of highway construction activity also accrue to the State in the form of tax revenues. Such revenues were estimated to be $8.4 million in 1985. Highway construction also creates jobs. In 1985, the highway contractor members of the Associated General Contractors of North Dakota directly hired 1,436 full-time workers, and had a peak labor force of 3,806 laborers. In addition, 9,000 privately-funded jobs were created as a direct or indirect effect of the North Dakota highway construction industry.

Obviously, an inadequately funded highway program, or a highway program which suffers frequent funding interruptions, limits the construction industry's ability to add productively to the economic well-being of the State. That is why the North Dakota highway construction industry was so supportive of your recent efforts to pass a five-year extension of the Federal-Aid Highway Program, which also contained an automatic Interstate Cost Estimate approval mechanism and a continuation for five years of the .5 percent Interstate construction guarantee.

The stability in the marketplace resulting from the 1987 Highway Act will allow us, and the professionals in our Highway Department, to plan ahead with certainty and security. Contractors will now be able to make substantial capital investments, to purchase equipment and materials, to hire employees—in other words, to add productively to our State's economy—on a continuing and uninterrupted basis.

Once again, we owe you our gratitude for the key role you played in putting the 1987 highway legislation into place, thereby providing our industry with the key ingredients upon which the certainty and continuity of our highway system so vitally depends.

In that regard, I would like to close by stressing my industry's opposition to a proposal currently being considered by some within the Congress to raise the Federal gas tax for deficit reduction purposes. We recognize the tremendous need for additional revenues for highway improvements at all levels of government, and we firmly believe that, one, now is particularly not the time for Congress to violate the user fee principle of the Highway Trust Fund; two, now is particularly not the time for Congress to preempt the ability of the States to raise their gas taxes for road improvement purposes; and three, now is particularly not the time for Congress to place on the back of America's highway users the burden for reducing the national deficit, especially highway users in States like North Dakota who of necessity must regularly drive far greater distances than motorists in many other regions of the country.

Mr. Chairman, that concludes my remarks. I would be happy to answer any questions you may have.

Senator BURDICK. Thank you.

Mr. Peterson.

STATEMENT OF CHUCK PETERSON, CHAIRMAN, GREATER NORTH DAKOTA ASSOCIATION TRANSPORTATION COUNCIL

Mr. PETERSON. Mr. Chairman, I would like to express my appreciation on behalf of the GNDA and as a businessman of the State of North Dakota for being asked to come here and share in this panel.

The Greater North Dakota Association, as you know, is the State's oldest and largest general business organization. The organization includes membership of people from all parts of the State's economy and nearly every county in North Dakota. Since the organization was founded in 1924, support for first class transportation has been a very high priority.

New wealth creation—that of providing jobs and stimulating the local economy—is the highest priority challenge facing North Dakota and other rural areas. This is particularly true in the rural communities and rural areas of this country.

The Greater North Dakota Association believes that a quality transportation system is the key to North Dakota's new wealth creation potential. Last year, at the annual meeting of GNDA held in the Sheraton at Minot, a fellow by the name of Dr. David Birch, who is the leading authority on new job development and wealth creation, pointed out to us that because North Dakota is largely a natural resource-based economy—that is, agriculture and energy comprise well over two-thirds of the State's new wealth—that the State is heavily dependent on a strong and reliable highway system. In addition, research on factors affecting the economic development consistently revealed that a sound transportation system is a primary location factor considered by companies when considering relocation or expansion. And after all, that is what we are trying to sell.

The development of subterminal grain handling facilities has also had a direct and significant impact on the State's highway transportation system. The increased use of unit trains, coupled with subterminals, has had an increasing amount of grain being hauled by larger trucks, both directly to the terminals and from smaller elevators to the grain terminals. The end result is heavier loads over longer distances on the road system.

It is incumbent on the transportation system to become more and more efficient to keep North Dakota producers more and more efficient, and this falls back on continuing the use of heavier loads on larger trucks hauled over greater distances.

Due to the small population of North Dakota being spread over a large geographic area, items such as farm machinery, food, finished goods, etc. are transported almost entirely by motor carrier rather than rail. Also, mass transit and commercial air services are extremely limited, making it necessary for citizens to travel almost exclusively by car. Consequently, people transportation—along

with the day-to-day commerce in the majority of our communities—is very dependent on well-maintained roads.

North Dakota's roads were just not built to support the loads or volume of the traffic they are experiencing. Only 40 percent of our roads are in good repair, and less than half are adequate to meet the current demands placed on our system. This situation seriously impacts our major industries and the people living in rural areas and small towns. In addition, it makes it difficult for smaller communities to compete for new business and industry.

A "Committee of 100" was formed last October by Governor Sinner, with support of the Greater North Dakota Association, specifically to identify barriers and opportunities for new wealth creation in the State. The committee was also charged with developing recommendations to enhance economic development efforts by government and the private sector and higher education in North Dakota. One of the committee's recommendations in the area of transportation was to maintain the State's road system by providing adequate funding based on the user fee principle. Both the Committee of 100 and the GNDA Board of Directors believe that the highway user fees should be used solely for construction, repair and maintenance of our public roadway system, and should not be diverted to non-transportation uses.

In conclusion, North Dakota's economy is heavily reliant on a well-maintained system of roads. This system is deteriorating faster than anticipated due to changes in our basic industries and our transportation system. These changes are negatively affecting the traditional new wealth creation industries of agriculture and energy, as well as our State's new wealth creation initiative, a stronger network of good roads is essential to our rural areas' and small towns' futures. In fact, it is an essential key to economic stability and development for rural towns and rural areas of the country.

Senator BURDICK. I thank the entire panel for your contribution.

Our next panel will be Ms. LaVonne Langord, Chairwoman, North Dakota Highway Users Conference; Mr. Dick Johnsen, Immediate Past President, North Dakota Motor Carriers Association; Mr. Dick Elkin, Director, State Affairs, Burlington Northern Railroad; and Jim Maragos, Vice President of Communities for a Modern U.S. 2.

You may proceed from my left, your right, with Ms. Langord.

STATEMENT OF LAVONNE LANGORD, CHAIRWOMAN, NORTH DAKOTA HIGHWAY USERS CONFERENCE

Ms. LANGORD. Thank you, Senator Burdick. I am LaVonne Langord. I work for AAA North Dakota, and I am currently serving as Chairman of the North Dakota Highway Users Conference.

The North Dakota Highway Users Conference is dedicated to the development of a sound highway transportation system in North Dakota and throughout the Nation. The Conference serves as a forum for our members to discuss highway matters. We act as a clearinghouse for dissemination of information, and we promote sound policies of use, development, finance, taxation and administration relative to our highway system.

Our membership is a nonpartisan coalition of several highway user organizations with a vital interest in highway transportation and highway finance. As highway users, we have adamantly opposed diversion of highway funds for any non-highway purpose. The North Dakota Highway Users fought diversion during our last legislative session, with little success. In our State we continue to see highway funds being used to fund the State Radio Communications, the Highway Patrol, and the Tourism Promotion Division.

Additionally, the legislature was asked to repeal the exemption that the ethanol industry in our State has enjoyed. This exemption could cost the Highway Trust Fund, as you heard this afternoon, an estimated $10 million in this biennium. The repeal did not pass.

We continually hear about commitments that have been made to various groups, such as the ethanol industry. However, we feel our lawmakers need to recognize the commitment made to taxpayers when the Highway Trust Fund was created in 1925 for the sole purpose of building and maintaining a first-class road system. The end result of these diversions, as we all know, is our new $0.04 per gallon fuel tax increase which our Conference feels is an unfair tax on motorists.

The Conference feels the primary Federal role should be to define highway systems of a national interest, and then to support State and local governments in meeting the responsibilities these systems create.

We will be embarking on a nationwide future highway transportation program with the North Dakota Highway Department, cosponsored by the Highway Users Federation. Open forums will be held in all 50 States. We are hopeful some of the problems will surface and some solutions will be found.

For more than 30 years, most of the attention has been focused on the Interstate highway system. We congratulate your committee for looking into the rural highway situation, and thank you for asking me to testify here today.

Senator BURDICK. Thank you.

Mr. Dick Johnsen.

STATEMENT OF DICK JOHNSEN, IMMEDIATE PAST PRESIDENT, NORTH DAKOTA MOTOR CARRIERS ASSOCIATION

Mr. JOHNSEN. Senator Burdick, thank you for allowing us to participate in this forum. I am Dick Johnsen; I am the Immediate Past President of the North Dakota Motor Carriers Association. Our offices are in Bismarck, North Dakota, and this statement is submitted on behalf of the North Dakota Motor Carriers Association.

We are a State-wide nonprofit, nonpolitical trade association representing the trucking industry. The association represents every type of motor carrier in the State—for hire and private, regulated and exempt—and those businesses providing products and services to the trucking industry.

America's highways provide the lifelines for today's life style and our economy. Almost 90 percent of all passenger travel takes place on America's highways. More than 82 percent of the money spent for freight transportation in the United States is spent for truck transport. More than 132 million passenger cars and almost 80 mil-

lion trucks provide our Nation's mobility on a road system that extends more than 3.75 million miles. Finally, more than 75 percent of those miles are classified as rural.

The rural highway system provides the web which weaves our transportation together. It is literally a two-way street. It provides the means of moving North Dakota's farm products and industrial production from here to every city and remote rural area of the United States. At the same time, our rural highway network provides the routes for economic development for North Dakota and all of the goods and services that make it possible for us to be as well dressed, as well fed, and as comfortable as any other citizen of the United States. Rural roads are extremely important to North Dakota, as 32 percent of the communities in North Dakota are serviced by truck only, with no rail or air service whatsoever.

A major industry, that being the oil industry, depends on sound truck and highway systems for the development and servicing of the oil industry in western North Dakota.

For more than 30 years the Nation's highway users have been paying the entire cost of constructing a vision, the Interstate system. The system was envisioned as providing coast-to-coast and border-to-border service with no stop lights. Today, that vision is practically a reality. It will be a reality by the end of the current Federal highway program. Now what? Where do we go from here?

Today we need to develop a new vision, a vision of what must be done to continue to provide mobility and access which will allow us to sustain economic development in North Dakota and in the Nation. There is no question that there is a massive highway program that remains to be done. Older portions of the Interstate system need rehabilitation and, in some cases, increased capacity. Our rural primary and secondary highway systems—even those which carry substantial volumes of traffic—are often rough and have narrow lanes and obsolete bridges. Highway users, including the trucking industry, have over the years demonstrated a clear willingness to pay the highway taxes necessary to support an adequate program so long as those highway taxes are expended on highways. The trucking industry opposes any diversion of highway taxes for deficit reduction or any other non-highway purpose, both in North Dakota and nationally.

The trucking industry will continue to support a well-managed highway program which provides the level of service that highway users have come to expect. The question today is how that program should be structured and developed as we proceed through the 1990's and beyond.

We believe that highway users must have a greater voice in the development of that program than has occurred in the past. As truckers, we do know where some of the problems exist and what will be involved in the discussion of how best to solve them. That doesn't mean that we want to tell the highway engineers what highways to build and how to build them, and we don't think that Congress should do that, either. We realize that that's not going to be easy; the present system of developing highway needs has no mechanism to identify and to respond to the demand for road services from highways. We need to devise a system which responds to the demands of businesses and all road users for safe highways,

which provides the capacity necessary to ensure continued mobility and economic development.

Studies have shown that the cost-benefit ratios of improved highways are tremendous. A 1983 Federal study found that the benefits of new highways are at least four times the cost.

A recently-completed Canadian study found that regardless of the size of the highway program developed, benefits far exceed cost. So the question today is, how do we translate these known cost-benefit ratios into highway programs we can all support? We don't have any pat answers, but we can suggest a few things that need to be done.

First of all, we all need to work together to devise a continuing program—truckers, automobile owners, businesses, highway departments, and legislatures. All need to have input into our highway program.

Second, highway departments need to become more closely attuned to solving problems and managing their programs in the most cost-efficient manner possible.

Third, there needs to be assurance of a stable program, one where highway users are assured that the funds they pay will be spent on highways at both the State and Federal level.

Fourth, as we enter an era where highway programs become more specifically related to solving particular capacity problems, as well as rehabilitation and reconstruction, there needs to be greater State and local control over these programs. A strong Federal program is clearly still needed in order to meet the needs of an adequate highway system to tie the Nation together, but the specifics of what is to be built and where will require greater State and local participation than has occurred in the construction of our Interstate system.

Finally, the trucking industry supports highway-building programs designed to make our highways safer for all vehicles. The industry has supported and promoted the Commercial Vehicle Safety Alliance and the MCSAP program, designed to greatly increase truck roadside inspections. We have supported single driver license legislation, the elimination of commercial zone safety exemptions, and have inaugurated truck safety patrols. The improvement of high-hazard highway locations should be a high priority in every State program. The elimination of built-in bottlenecks in the system should also be part of safety-related efforts.

We are pleased to have had an opportunity to discuss the trucking industry's views concerning the future of the highway program. We want to assure Congress and all of the involved public agencies that the trucking industry is dedicated to a continuing, major highway program, and that we pay our fair share of the costs of such a program. North Dakota motor carriers are big customers of that program. We contribute over 51 percent of the total State and Federal highway taxes in fees paid to finance it; the program must, however, be a realistic program which solves our highway problems in ways which can be clearly defined and which are the most cost-effective solutions.

Thank you, Senator Burdick and members of the committee, for the opportunity to express our views today. I would be available for any questions.

Senator BURDICK. Thank you.
Mr. Dick Elkin of the Burlington Northern Railroad.

STATEMENT OF DICK ELKIN, DIRECTOR, STATE AFFAIRS, BURLINGTON NORTHERN RAILROAD

Mr. ELKIN. Thank you, Senator. For the record, my name is Richard Elkin, and I am Director of State Affairs for Burlington Northern.

At Burlington Northern we believe that a complete transportation system requires good railroads and good highways. Railroads are built and maintained from the revenues derived by the railroads for hauling commodities. The system of public roads in this State has long been funded by a system of road user fees. It is apparent that at this time, the revenue derived from these fees is no longer adequate to maintain and rebuild the road system that is wearing out. We believe that there are a number of things that have to be done to ensure adequate funding.

To begin with, we believe that somehow the diversion of highway user fees to non-highway purposes should be stopped. The diversion of these highway user fees has been going on in North Dakota for a long time. A number of previous speakers have touched on the same subject, but our Tourism Department is funded totally out of highway user fees. The State radio system is paid for totally out of road user fees. Road user fees are used to support all activities of the Highway Patrol. Additionally, the gasohol exemption, in my opinion, is a diversion of road user fees. A truck burning gasohol does as much damage to the highways as one burning gasoline or diesel fuel. On a national level, we feel the diversion of funds to the mass transit program is of no benefit to rural States like North Dakota. North Dakota is a donor State to the mass transit program; we pay in but get nothing back.

Hopefully, an end to diversion of highway user fees can somehow be brought about, but even then I suspect there will be a need for additional funding to adequately move this program forward. We believe that all funding for the road systems should continue to come from road user fees that are set large enough to maintain our highways and rebuild them at least as fast as we're wearing them out. As a matter of competitive equity, these road user fees should be based on some weight-distance formula to reflect the amount of wear and tear a particular vehicle puts on the highway system.

In conclusion I wish to thank you, Senator Burdick, for the opportunity to appear and offer suggestions, and if there are any questions, I will be happy to answer them.

Senator BURDICK. Thank you.
Jim Maragos, Vice President of Communities for a Modern U.S. Highway 2.

STATEMENT OF JAMES MARAGOS, VICE PRESIDENT, COMMUNITIES FOR A MODERN U.S. HIGHWAY 2

Mr. MARAGOS. Good afternoon, Senator. I want to express the appreciation of our organization at being invited to give testimony today. As you can well imagine, the title of our organization tells

you that it's going to be provincial testimony. It's going to be very provincial about what we're asking in the new highway bill.

The issue today for us is whether or not, as residents of an area not blessed with the presence of the Interstate highway system, we are doomed to second-class status, or if an effort pioneered by yourself, Senator, will be perpetuated and pursued to give our local and area citizens an appropriate measure of safety and economic opportunity.

This is the key to stability and viability. It is not necessary to create a Federal Interstate system for every corner of the United States, but it is important that neglected highways in rural areas are imaginatively planned to make them attractive to the highway users as to reduce the ever-increasing tendency of avoiding highways not a part of the Interstate system, thus destroying the absolute essence of the reasons for existing of rural urban population centers.

In the short time we have to discuss the issues of our area's highway and the broader issues of the Federal funding levels and their allocation criteria, I would like to briefly discuss our needs in the area.

We have a fine start in the four-laning of Highway 2 from Grand Forks to Minot. This now makes Highway 2 from Minot to Duluth 85 percent four lanes, and we believe the efforts will continue in Minnesota to complete the unimproved section west of Duluth.

We should now focus on the northwest quadrant of North Dakota and the upgrading of Highway 2 and Highway 85. There are excellent and compelling reasons and arguments for this effort.

First, Highway 2 is North Dakota's energy highway. Oil development will surge forward, and we must be ready.

Two, Highway 2 needs to improve its safety and adequacy image to the traveling public to stabilize its deteriorating usage and to encourage its use as an access highway for the many developing sites in our part of the State. Highway 2 is North Dakota's access to its major recreation and historical sites, from the Red River to Fort Totten, Lake Sakakawea and the Peace Garden, to Fort Buford and Union, and the access to the north unit of the North Dakota Badlands. We can accomplish growth and economic opportunity for our people and our State with the improvement of Highway 2.

We are the heart of the great grain area of the United States, and as such we must be addressed as an important American resource, the need of which must be addressed in any highway program for North Dakota.

For the future of our rural arterial highway system, of which Highway 2 is a part, we will need your continued support and leadership to achieve the completion of the western half of Highway 2, and we urgently seek that continued support.

For our part, it is our hope with the support and leadership of our fine Highway Commissioner, Walter Hjelle, to agree on a plan of improvement, schedule of projects, and the level of necessary funding for Highway 2 West. We will continue supporting your efforts to achieve equivalent speed limits for Highway 2. In approximately 2 weeks, as an organization we will formulate an effort to achieve Priority Primary Highway status for the remainder of Highway 2 in order to give this important highway its deserved

designation in our area. We will also at this time determine our position with regard to other necessary efforts to achieve the completion of the Highway 2 improvement project.

With regard to the other issues before this committee we would give the following testimony.

The allocation of highway user funds must reflect not only population concentration but also large geographic masses in order that there be fair distribution of highway funds. Our highways in North Dakota are for all Americans and, as such, deserve support, apart from the number of people in their immediate proximity. To do otherwise would seriously deteriorate the stability and continuity of our Federal highway system.

We oppose the diversion of highway user funds to non-highway purposes. It would destroy the integrity of the fund and subject it to ever-increasing funding raids.

Three, the time has passed when main arterial agricultural and rural highways can be neglected in preference to the Interstate system. We support continuation of the present formula for highway fund apportionment to the States and the emphasis for preferential funding for those highways, such as Highway 2, that were neglected during the concentrated effort to complete the Interstate system.

Four, we urge that the new highway funding act include the traditional priority primary highway designation provision. This is a very important opportunity for State and area leadership to provide guidance based on objectives deemed important for special development programs on highways so designated.

Five, a study needs to be commenced to determine a compensating improvement to alternative transportation systems that would offset any and all rail abandonments before they are allowed.

In conclusion, we wish to commend the efforts of your committee in improving highway transportation, especially in rural America. On behalf of myself and our organization, Communities for a Modern U.S. Highway 2, we express sincere appreciation for the opportunity to testify before this committee. We ask that this testimony be made a part of the written testimony, along with the research material herewith submitted, titled "The Forgotten Highway."

Thank you, Senator.

Senator BURDICK. Well, thank you very much. As a former Williston boy, Highway 2 is not forgotten. We'll see what we can do in the future.

Mr. MARAGOS. Thank you.

Senator BURDICK. Our last two witnesses will be Doug Eiken, Director, North Dakota Parks and Recreation, and Mr. John Bloom, Minnesota Department of Transportation.

STATEMENT OF DOUG EIKEN, DIRECTOR, NORTH DAKOTA PARKS AND RECREATION DEPARTMENT

Mr. EIKEN. Thank you for the opportunity to address you, Chairman Burdick, and to have this testimony in the written record of this hearing. I am Doug Eiken, Director, North Dakota Parks and Recreation Department, and I wanted to talk a little bit about rec-

reational roads and their effect on the economy and their importance in North Dakota.

I want to emphasize that all-weather surfacing on access roads to recreation sites is essential to maximize the use of these areas and to develop the full economic and tourism potential of these resources. A dilemma exists in that recreation areas are usually identified and developed independent of other planning considerations, such as access and existing highways.

The North Dakota Parks and Recreation Department has worked quite closely with the State Highway Department to ensure that road access is addressed prior to the development of recreation; however, sometimes the sites are so unique and so special and located in remote areas that developing adequate access to these sites is difficult unless special consideration is given to them in the funding cycle.

In 1986 we did an assessment of recreation roads in North Dakota, and a copy has been provided to the committee.

I'd like to commend you and members of your staff and your committee on the priority that you gave these recreational access roads in the 1987 highway bill. The 13 road segments identified as special projects in the legislation are among the most critical in North Dakota for providing decent access to some of our primary recreation park sites, and these 13 roads were considered high priorities in the previously-mentioned study. During the five-year lifetime of the highway bill these projects should dramatically increase access to North Dakota's recreational sites.

However, a problem does exist with this legislation, as has been mentioned previously, that due to some unforeseen error, the distribution of these funds and the construction program necessitated by the distribution formula is unusually complicated. Therefore, I am requesting that your committee and your staff look at amendments to this bill to allow construction to continue unimpeded.

Finally, I ask your committee's consideration of a need to address a change in Federal policy or Federal standards with relation to developing more scenic roadways, especially those to recreation sites. Scenic highways can enhance tourism and economic development, as demonstrated on roads such as Blue Ridge Parkway in West Virginia and Highways 1804 and 1806 in North Dakota. They can be an integral part of the recreational experience. I believe more attention should be given to increasing the scenic features of roads during the design and construction phases of the project. This attention to landscaping and detail, and the flexibility to easily change design standards as needed, will encourage the development of a system of access sites to parks which will enhance the beauty of the Nation's natural resources while still allowing all-weather access.

Thank you, Senator, for giving me this opportunity to testify before your committee, and I stand ready and willing to assist you and your committee and the staff in any way I can in helping achieve highway goals.

Senator BURDICK. Thank you very much.

Mr. Bloom.

STATEMENT OF JON BLOOM, MINNESOTA DEPARTMENT OF TRANSPORTATION

Mr. BLOOM. Thank you, Senator.

It is somewhat appropriate that North Dakota was first and that Minnesota is last. As the Commissioner mentioned, North Dakota completed the Interstate system first; Minnesota may well be the last State to complete its Interstate system.

Thank you for the opportunity to share our thoughts on the issue of highway needs in rural areas and small communities. I also would like to express my thanks to the Senator's staff and the North Dakota State Highway Department for providing additional information on the topics to be discussed at this hearing.

I'd like to spend a few minutes on three primary issues: the rural economic vitality; the Federal, State and local partnership, and finally, revenues.

Minnesota, like North Dakota and most other States, faces complex challenges in respect to its rural economy. We cannot solve national problems; however, we can present our views at regional forums in the hope of influencing national policy.

It has become increasingly apparent that Minnesota has not one, but two economies, the Minneapolis-St. Paul metropolitan area, and greater Minnesota. The Twin Cities and its surrounding areas contain a strong and diversified economic base. The remainder of the State has not fully recovered from the changes that affected the agricultural and mining sectors in the late 1970's and the early 1980's.

Through our Governor, legislature, regional development commissions, cities and counties, transportation user groups and private citizens, we continue to hear how important transportation is to overall economic stability and diversification. We need good roads for our rural economy.

Minnesota has the fifth largest highway system in the Nation, nearly 132,000 miles of streets and highways. In addition, there are almost 13,500 bridges. Our highway safety record ranks second nationally, second only to North Dakota.

Building this sophisticated system represents a tremendous combined effort. The Federal, State and local partnership that has evolved over the last 70 years has provided steady support for transportation programs. This partnership has resulted in many benefits, including substantially enhanced access for business; increased personal mobility; economic growth and expansion, and enormous advances in highway technology, design, construction and management.

Through Federal, State and local partnerships we are exploring innovative solutions for managing transportation problems and issues. Minnesota is taking an active role in the effort to develop a consensus for a national transportation program that will address needs well into the 21st century.

A significant issue affecting the future availability of revenues is the potential diversion of highway user fee to non-transportation purposes. Reports indicating that Congress may consider increases in the Federal gas tax or an oil import fee to assist in reducing the Federal deficit concern us. These proposals sharply contrast

with the longstanding public policy that has resulted in our current transportation system. They also undermine the strong Federal, State and local partnership that has worked so well in addressing transportation needs. In addition, the use of user fees for general fund purposes would create inequities in rural and Western States, where agricultural activities and settlement patterns require that more miles be driven and more fuel be used to satisfy mobility needs.

Actions at the Federal level have a substantial influence on our ability to finance needed transportation improvements. The recently-passed Federal Highway Act increased Federal funding available to Minnesota by $54 million per year. Further action by Congress to increase the Federal gas tax or oil import fees will hamper the ability of States, like Minnesota, in raising their own motor fuel taxes to adequately fund transportation programs and make up for the declining Federal participation.

We are also concerned with the significant impact that demonstration projects are having on the Highway Trust Fund. Although we received $47 million this year in demonstration project funding, we support the position of the American Association of State Highway and Transportation Officials, which recommends that special demonstration projects should not continue as a part of the transportation program.

In conclusion, I'd like to thank you for the opportunity to appear before you. Through regional public policy forums like this one today, we believe that even stronger Federal, State and local partnerships can evolve. These partnerships in turn will provide the major impetus in ensuring that transportation continues to serve rural economic development and mobility needs.

Thank you.

Senator BURDICK. Thank you very much.

This concludes the testimony. First of all, I should say that those who have not signed in at the table to note your presence, you should do so before you leave.

Everyone here will have a chance to record their views, and the record will be kept open until September 1 for additional written testimony. You should mail it to my office in Washington, D.C., the Senate Office Building, if you have any further comments.

I want to thank everyone for attending the meeting today. It has been very worthwhile, I think.

Now, the meeting will be adjourned.

[Whereupon, at 4:30 p.m., the committee was adjourned.]

[Statements submitted for the record follows:]

STATEMENT OF R. A. BARNHART, ADMINISTRATOR
FEDERAL HIGHWAY ADMINISTRATION
U. S. DEPARTMENT OF TRANSPORTATION

HEARING BEFORE THE
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

MINOT, NORTH DAKOTA
August 11, 1987

Good afternoon, Mr. Chairman. It is a pleasure to be in North Dakota today to address your concerns on highway transportation needs in small communities and rural areas. Under your leadership in the Senate, the Congress passed, in April, legislation that charts the course of the Nation's highway program for the next five years. It is appropriate that you are already looking to the future with this hearing. Your letter of invitation listed issues which I will take up in order.

The Ability of States With Small Populations and Large Geographic Areas to Raise Sufficient Revenues for Highway Needs

Among States with the fewest people per square mile, North Dakota is sixth (9.4 persons for each square mile). North Dakota and other sparsely populated States have difficulty raising large sums of money. Even so, in 1985, North Dakota residents provided $146 per capita in non-Federal revenues for highways, considerably higher than the national average of $128 per capita.

In States such as North Dakota, citizens must rely more heavily on roads and private cars since alternate forms of transportation are not readily available.

North Dakota relies heavily on the Federal-aid highway program as a component of its total State highway program. More than 48 percent of its program was derived from Federal-aid funds in Fiscal Year (FY) 1985, compared to a national average of about 29 percent. Other low population, large area States have similarly high percentages of their total programs provided through the Federal-aid highway program.

In addition, the Federal-aid highway program through the application of the latest technology and cost-effective practices has helped North Dakota to stretch available resources to cover essential needs. The Federal Highway Administration's Rural Technical Assistance Program (RTAP), for example, has established a technology transfer center at the North Dakota State University in Fargo which is one of the most effective centers in the country.

Use of Highway User Fees for Other Purposes

For 1985, the States used about 12 percent of their State road taxes for non-highway purposes. As a result of changes made by the 1982 Surface Transportation Assistance Act (STAA), about $1.1 billion per year of Highway Trust Fund (HTF) revenues go into the Mass Transit Account for mass transit use.

In addition to these identified non-highway uses of highway user revenues, evasion of motor fuel taxes and exemptions from certain highway user taxes result in major losses of revenue to the HTF.

Fortunately, the Tax Reform Act of 1986 included a provision, effective January 1988, that should greatly reduce the problem of gasoline tax evasion. However, to date, no solution has been enacted to address the problem of evasion of the diesel fuel tax. We estimate that the evasion of the diesel fuel tax costs the HTF over $500 million per year. We are now reviewing ways to address this problem.

In our January 5, 1987, proposal to reauthorize the highway program, we proposed the repeal of all existing tax exemptions on alcohol-based fuels, buses and State and local governments. Unfortunately, Congress did not repeal these exemptions in the Surface Transportation and Uniform Relocation Assistance Act of 1987 (STURAA). We estimate these exemptions cost the HTF about $1 billion per year in revenues. The exemption for gasohol alone cost the Federal highway program $450 million last year. North Dakota's 13¢ a gallon gasohol exemption also lost revenue. We do not oppose subsidies for alcohol blends but feel that the highway user should not be called on to pay the tab.

There are a number of legislative proposals before Congress that would mandate the use of alcohol-based fuels for air quality or petroleum conservation purposes. If any of these proposals are enacted without repealing the exemptions for alcohol-based fuels, there will be significant loss of revenue to the HTF. We estimate that one proposal put forth by Senator Simon to require that 5 percent of motor fuels be alcohol would cost the HTF about $4 billion per year by 1992. Another similar proposal in the House would replace the loss to the HTF with general revenues. While

seemingly an attractive solution, this bill would kill the contract authority provisions of the highway program subjecting it to the annual appropriation process causing a serious disruption of the highway program, leaving its annual funding highly uncertain.

Another set of legislative proposals that could seriously impact both the HTF and State highway user tax revenues, as well as undermine the long established user-fee principle of highway finance, are those proposals that would increase the Federal motor fuel taxes for deficit reduction purposes and place the increase in the general fund. We oppose these proposals that could cost the HTF over $300 million per year in decreased revenues and have a similar effect on State motor fuel tax revenues. They would also greatly reduce the ability of States to raise fuel taxes to meet future highway needs.

Responsibilities of Federal, State and Local Governments

The 1987 STURAA put in place the funding necessary to complete construction of the Interstate System. Thus, at the close of the authorization period of this Act, in 1991, some fundamental changes in the structure of the Federal-aid highway program will be necessary. We recently initiated an effort to look at the broad issues and trends that will ultimately impact highway needs. Both short-range and long-range forecasts of population, employment, and other socio-economic trends will be examined. Technological developments and their impacts will be reviewed. Based on these assessments, highway passenger and

freight travel will be forecast. Highway system capacity, condition and performance will be looked at in light of these forecasts.

As part of this effort, we will also look at management of highways. We will be examining areas such as vehicle size and weight regulations, vehicle safety regulations, vehicle speed limit and other driver regulations, motor carrier economic regulations and State/local roadway maintenance requirements.

The Condition and Needs of Roads in Agricultural Areas

Highway conditions in rural areas have improved significantly with increased efforts towards pavement rehabilitation in recent years. All States have improved their rural highway systems following passage of the STAA of 1982, the landmark Federal legislation that increased the Federal gas tax five cents per gallon. North Dakota, already with excellent pavements on all systems, began paving previously unpaved rural roads, primarily on the lower order roads. In terms of agricultural transportation needs, this paving activity and the continued emphasis on replacing and rehabilitating deficient bridges should serve the agricultural community well in the coming years. The 1987 Act permits States to apply 80 percent of the cost of 100 percent State/local financed off-system bridge projects to the State share of Federal-aid bridge replacement and rehabilitation projects. This should facilitate the improvement of rural off-system bridges by reducing Federal involvement in these projects.

Effects of the Elimination of Branch Rail Lines and Increased Truck Traffic

Over the last several years, a major restructuring of the rail system has taken place in North Dakota. Many branch lines have been abandoned and many grain elevators that were served by rail now must rely on trucks. Many roads are now carrying loads they were not designed to handle. We do not have a good idea of the impact on the roadway network of millions of bushels of grain being hauled by trucks to subterminals. We do have a RTAP project being conducted in North Dakota concerning the impact of railroad deregulation on State and local roads. We will keep the Committee advised of the results of this project. Other RTAP projects address better pavement management and design procedures to more adequately handle deterioration of rural pavements under repeated application of heavy loads.

Apportionment Formulas

The Federal-aid highway program is fast approaching a major transition period. The Interstate System has been the centerpiece of Federal involvement in this highway program for the past 30 years. However, with the 1987 reauthorizing legislation having put in place the funding necessary to complete the system, some fundamental changes in the structure of the Federal-aid highway program will be necessary for the 1990's and beyond. A major part of the analysis preceding restructuring will involve examination of current and proposed Federal-aid apportionment formulas.

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There is considerable recent evidence of concern on the part of Congress and the Administration with existing apportionment formulas.

- The House made its perennial proposal in deliberations over the 1986/1987 reauthorizing legislation to change the Interstate 4R (I-4R) formula to one that more heavily considers usage factors, i.e., fuel consumption and vehicle-miles-of-travel (VMT). Such a change would severely penalize States such as North Dakota which have extensive Interstate System mileage, but relatively low travel. This measure was turned aside in large part due to your efforts, Mr. Chairman.
- A General Accounting Office study requested by Senator Lawton Chiles was completed in 1986 that concluded generally that factors used in formulas should reflect the extent and usage of the highway system, and particularly, that land area, population, and postal mileage--factors used currently in the primary, secondary, and urban system apportionments--are not closely related to today's highway system.
- Section 137 of the STAA of 1982 required two studies of alternate methods of apportioning funds for the Interstate System resurfacing, restoration, rehabilitation, and reconstruction (I-4R) program. One study was on weather-related factors. It was found that data on the effects of weather was inconclusive and that weather should not be treated as an isolated factor but

considered along with other factors (soil, traffic loads and pavement materials) that influence useful road life. The second study looked at alternatives to current I-4R apportionment formula, i.e., 55 percent on Interstate lane miles (which favor large States) and 45 percent on vehicle miles-of-travel (VMT) on those lane miles (which favor populous States). It found that this formula correlated very well with I-4R needs and recommended no change. The current formula works well for North Dakota as North Dakota has 1.3 percent of the Interstate lane miles and .3 percent of Interstate VMT. This results in an I-4R factor of .83 percent (after 1/2 percent minimum adjustment) thus North Dakota will receive $20,565,097 in I-4R funds in FY 1988.

The issues must be carefully examined and a framework established well before the next major Congressional debate on highway matters in 1990 and 1991.

Implementation of the Surface Transportation and Uniform Relocation Assistance Act of 1987

The FY 1987 non-Interstate authorizations and the FY 1988 Interstate authorizations were apportioned on April 2, the same day the Act was enacted. Since then, the discretionary fund allocations (I-4R, Interstate substitute, and bridge), and the allocations for the Section 149 demonstration projects have been made. The limitation on Federal-aid highway program obligations for FY 1987 provided in the 1987 Act also was distributed to the

States on April 2. The August redistribution of obligation authority from States who cannot use all of their authority to States who can use additional authority is underway. The advance notice for FY 1988 apportionments has been issued. For the 169 subsections of the Act identified as requiring action by the Federal Highway Administration, action on 71 is complete (at least for FY 1987 in the case of funds distribution), action on 73 is underway and action on 25 is pending (e.g., awaiting Office of the Secretary delegation, field input, internal review, budget action, and State action).

Alternative Methods of Financing Highway Construction

The Federal Highway Administration has studied several proposals that would provide more flexibility in highway financing and alternative methods of funding highway construction. Our study of alternative financing methods was prompted, in part, by frequent requests to fund projects that involve both highway interests and some form of private or other public development interests. The provision in the 1987 Act that allows the value of private donations of right-of-way to be used as part of the State/local match for Federal-aid projects should provide an incentive for donations of right-of-way by developers.

Additionally, our interest in alternative financing methods was prompted by the need for new or expanded highway construction where the costs of such construction are extraordinarily expensive and beyond normal Federal-aid funding capability. There are numerous examples of these types of projects particularly in the

regions of the country where populations are increasing rapidly. The needs for these highway facilities are immediate while at the same time, the needs for resurfacing, rehabilitation, and reconstruction also are substantial. Thus, there is a short-term demand for an extraordinary investment that would strain any State and local highway agency budget.

Both the Senate and Administration bills for reauthorizing the highway program included a provision to allow Federal-aid highway funds to be used to construct toll roads. The 1987 Act includes a provision to allow Federal funds to participate in seven toll facilities on a pilot basis at a 35 percent Federal matching share. Hopefully, the results of the pilot program will lead to a general provision on toll financing in the future.

The Administration also proposed replacing the current urban and secondary program along with the nonprimary portion of the bridge program with a block program. The intent of the block grant was to give the State and local governments greater flexibility in the use of Federal funds on highways of primarily State and local interest. Although Congress did not accept our proposal, the 1987 Act does include a provision for a combined road plan demonstration that will permit up to five States to test block grant concepts. This demonstration program should provide useful information relative to the future Federal role and the future highway program structure.

Speed Limit

Under the provisions of the 1987 Act, to date 37 States have increased speed limits from 55 miles per hour to 65 miles per hour on rural sections of the Interstate System. North Dakota approved a 65 miles per hour speed limit for 543 miles of rural Interstate highway on April 8, 1987. States have indicated that they will closely monitor the safety effects of the increase in the speed limit. As of now, we do not have data on those effects. However, we will be closely monitoring these results.

That concludes my statement, Mr. Chairman. Can I answer any questions?

TESTIMONY PRESENTED BY:

WALTER R. HJELLE

NORTH DAKOTA STATE HIGHWAY COMMISSIONER

TO:

Senate Committee on Environment & Public Works

Senator Quentin N. Burdick, Chairman

SUBJECT:

RURAL TRANSPORTATION ISSUES

Committee Field Hearing

Minot, North Dakota

August 11, 1987

TESTIMONY
SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE
MINOT, N.D.
AUGUST 11, 1987

Good Afternoon. I would like to thank the members of the Committee for providing the opportunity to discuss some of the major transportation issues facing North Dakota and rural areas in general.

North Dakota is proud of its progressive road construction and maintenance program. We feel we have one of the best highway systems in the nation. North Dakota was the first state in the Nation to complete its Interstate system. North Dakota also has some of the safest roads in the Nation. In 1986 there were 1.78 fatalities per 100 million vehicle miles of travel, which was 38 percent below the national average of 2.47 fatalities per 100 million vehicle miles.

Our transportation is, and will continue to be essential to the state's economic growth. The future development of the state depends directly on the degree of mobility, speed, and flexibility that the highway system is able to provide.

We are fortunate in that we do not have serious congestion and capacity problems that are common in many other states. However, because we are a rural state, which is very dependent on agriculture, we do have various transportation related problems. We do not have trouble moving people. But, when it comes to the movement of agricultural commodities our roads and bridges were not designed to handle the increasing size and weight of the vehicles currently traveling on the system.

As a result of inflation, the increasing size and weight of vehicles, reductions in federal aid, the diversion of highway funds, and the inability of user fees to keep pace with needs, all levels of government are experiencing difficulties in preserving their road networks.

SIZE OF THE SYSTEM

North Dakota has a very extensive road network serving the entire state. We have more than 106,000 miles of roads, streets, and trails that are under the jurisdiction of the state, counties, cities and townships. Since 1970, these governmental units have invested in excess of $2 billion in constructing and maintaining North Dakota's roads, streets, and bridges. This is an investment we cannot afford to let deteriorate.

We have more miles per capita (163 miles/thousand population) than any state in the nation. All roads are important and serve a major function, whether they are used

to carry intra and inter-state traffic or provide field access. We have a very large network, but a small population base to support it. Thus, it is extremely difficult to generate adequate revenue to maintain and preserve our existing network.

FEDERAL AID

The federal aid highway program has played a vital role in providing funding to develop our transportation system, and will hopefully continue in the future. Federal aid comprises over 40 percent of the total Highway Department budget. North Dakota has never lost any available federal aid for highways because of a lack of state matching funds. In fact, because we had road improvement plans ready to go, we were able to use federal funds that other states were unable to match.

One of our major concerns has been the reduction in federal aid for highways to the states the past few years. As a result of spending limitations imposed by the Congress and across the board spending reductions initiated by the Gramm-Rudman-Hollings law the amount of federal aid North Dakota has received for highways decreased over 13 percent from $80.5 million in 1985 to $69.7 million in 1987. We encourage the Congress to lift these spending limitations. The revenue is available in the Highway Trust Fund, and the revenue is needed to upgrade the highway system.

Remove Highway Trust Fund From Unified Budget

We also support the concept of removing the Highway Trust Fund from the Federal Unified Budget. The Highway Trust Fund is self-supporting, consisting of user fees paid by users of the transportation system. The public has paid this money into the trust fund to be used for transportation and it should not be left in the treasury to make the federal deficit look smaller. Highway transportation has not contributed to the national deficit. The Highway Trust Fund is required by Congress to always have enough funds available to cover expenditures. Expenditures from the trust fund are already subject to spending limits through such provisions as the Byrd Amendment which prohibits spending more than is taken in, making them dificit proof. The money was collected to be spent on highways. Holding these funds back to provide a false reduction of the federal deficit is a misrepresentation to the highway users of America. It is strongly recommended that the Highway Trust Fund be removed from the unified budget and that the funds be allocated for the purpose they were intended, the improvement of our highways.

Diversion of Highway Funds

The diversion of highway funds for other purposes is a major issue at the federal and state level. North Dakota is a strong supporter of the user fee concept. Using highway

funds to support the gasohol industry or to be used for deficit reduction does not support the user fee concept. At the federal level the 6 cent per gallon gasohol tax exemption has a negative impact on the Highway Trust Fund. According to the Federal Highway Administration the loss of revenue to the Highway Trust Fund due to the federal gasohol tax exemption was $469 million in 1985 and $440 million in 1986.

The diversion of highway funds is also occuring at the state level. During the past biennium (1985-87) the North Dakota State Highway Trust Fund lost over $10 million due to the state gasohol tax exemption. The state exemption was 8 cents per gallon, but was reduced to 4 cents per gallon on July 1, 1987. In addition, the State Legislature approved the diversion of $22 million of State Highway Department funds to support other state agencies. This has resulted in the erosion of highway funds needed to preserve and improve our transportation system.

Using the Motor Fuel Tax for Deficit Reduction

North Dakota is also very concerned about proposals to increase the federal motor fuel tax and use the revenue to reduce the federal deficit. The basic funding system for highways has served our nation extremely well at all levels of government. The proposal to use motor fuel taxes for deficit reduction would depart from the user fee philosophy of the state-federal transportation partnership for funding highway improvements. The irony of increasing the motor fuel tax for deficit reduction purposes is that none of the additional revenue would be used for transportation improvements at a time when needs are rapidly outpacing available revenues.

Motor fuels are already one of the most heavily taxed essential commodities in the nation. Total motor fuel taxes (federal and state) account for about 25 percent of the retail price of gasoline and almost 30 percent of the retail price of diesel fuel. Increasing the motor fuel tax to reduce the federal deficit would unfairly shift the tax burden on the large rural states which are dependent on the automobile. Americans living in rural areas will bear a disproportionate, and unfair share of the deficit reduction burden. Why should the number of miles driven by an individual determine their contribution toward reducing the federal deficit?

In North Dakota we do not have the option of using alternate forms of transportation such as mass transit. We are very dependent on the automobile. Therefore, people in rural areas drive more miles annually out of necessity than do drivers in urban areas. According to the Highway Users Federation, on a per capta basis, North Dakotan's use 496 gallons of gasoline annually compared to the national

average of 433 gallons. If a 10 cent per gallon tax increase was placed on gasoline it would cost each North Dakotan about $50 per year. The total additional cost to the state would be about $34 million.

If a 10 cent per gallon tax were placed on gasoline and diesel fuel the impact would be even greater. Total fuel consumption in North Dakota (gasoline & diesel fuel) is about 620 gallons per capita compared to the national average of 508 gallons. The additional cost per individual would be about $62 per year and the total annual cost would be about $42.5 million. In addition, if the diesel fuel tax was increased, the trucking industry would be asked to shoulder a large share of the financial burden.

Increasing the motor fuel tax for deficit reduction purposes would inhibit the ability of the states and local governments to raise revenues to fund transportation projects. The ability of the states to increase motor fuel taxes is affected by the total tax placed on a gallon of fuel. At a time when federal highway funds are being cut back, and state and local governments are asked to fill the void, a federal motor fuel tax increase would inhibit the ability of state and local governments to raise necessary revenue.

Many of the rural areas of the country are still experiencing tough economic times. North Dakota's economy is very dependent on agriculture and energy which hasn't recovered from the economic recession. Increasing the federal motor fuel tax would place an extra burden on the individuals, and have a negative impact on the economy in these areas.

We feel that motor fuel taxes have served us well, and there is no valid reason to destroy a funding mechanism that functions effectively and fairly at the federal and state levels. Thus, we believe the motor fuel tax should remain a tax dedicated only for transportation purposes.

SURFACE TRANSPORTATION AND UNIFORM RELOCATION ASSISTANCE ACT OF 1987

The passage of the Surface Transportation and Uniform Relocation Act of 1987 was a major accomplishment of the Congress during the past year. The lack of a federal highway bill would have been devastating to the economy in rural states like North Dakota. The new transportation act provides funding for five years, which allows the states to plan ahead.

Basically, we were very pleased with the contents of the Transportation Act. Although the amount of federal aid we will receive is reduced, we will be able to continue with a program that upgrades our highway system. We were pleased

with the fact the apportionment formulas were not changed a great deal. Putting more emphasis on travel and less emphasis on road mileage would have greatly reduced the amount of federal aid to rural areas. Many of our federal aid roads do not carry large traffic volumes. However, they are needed to provide connecting links to other parts of the country and are essential to the movement of our commodities which are in demand throughout the country.

There are a couple of issues regarding the 1987 Transportation Act that we are concerned about. North Dakota is scheduled to receive about $27 million to fund demonstration projects in the state over the next five years. We are concerned about the way these funds will be allocated. Currently, we are scheduled to receive one-fifth of the total allocation ($5.4 million) each year. The problem is the states do not have the flexibility of transferring these funds among the projects. Not all the projects will be ready to go at the same time. Under the current act it appears that we have three options.

1. To complete one-fifth of each project each year, which would be uneconomical.

2. To get the revenue from some other source, complete the projects with these funds, and pay back these funds as the federal aid is allocated each year.

3. Wait till the end of the five year period till all the funds are allocated and then construct all the projects.

If the states were given the flexibility to use its entire demonstation project allocation each year on any of the projects, we could complete the projects in a timely manner and it would alleviate some of the problems we are currently encountering.

In summary, we feel that we have a very good highway system in North Dakota. We have made a substantial investment in this system and cannot afford to let it deteriorate. However, it takes a great deal of money to maintain and preserve our network. We are a rural state with a small population and a large road network. This makes it extremely difficult to generate adequate revenue at the local level to provide the transportation services demanded by the motoring public.

We must focus on trying to preserve our existing network and improving the structural strength of the system to move our agricultural commodities rather than trying to expand the size of our network. Our system is well established. But, transportation needs are continuing to grow. Many segments of our system are getting old and have reached, or are approaching, the end of their design life. They were not

designed to handle the loads traveling on our roads and bridges. Many miles of road need to be upgraded or resurfaced. Bridges need to be replaced or rehabilitated. There are about 6160 major structures, over 20 feet in length, in the state. Almost 3000, or 49 percent, of these structures are deficient. Of the 3000 deficient bridges in the state, about 2800 or 93 percent are on the local county and township road system.

We feel we have a good working relationship with the Federal Highway Administration (FHWA). The local FHWA office has been very cooperative and helpful in assisting our Department. Hopefully, this relationship will continue in the future.

There are no simple answers in dealing with transportation problems and issues. All levels of government play a vital role in developing and managing our transportation system. We must continuously look for means of improving the management of our road sytem to ensure we are getting the most out of our highway dollars. If we continue to work together at the federal, state, and local level we will continue to make progress in moving commodities and serving the highway users of the nation.

TESTIMONY PRESENTED BY:

SENATOR E GENE HILKEN

CHAIRMAN OF NORTH DAKOTA SENATE TRANSPORTATION COMMITTEE

TO:

SENATE COMMITTEE ON ENVIRONMENT & PUBLIC WORKS

SENATOR QUENTIN N. BURDICK, CHAIRMAN

SUBJECT:

RURAL TRANSPORTATION ISSUES

COMMITTEE FIELD HEARING

MINOT, NORTH DAKOTA

AUGUST 11, 1987

TESTIMONY
SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE
MINOT, NORTH DAKOTA
AUGUST 11, 1987

GOOD AFTERNOON, I WOULD LIKE TO THANK SENATOR BURDICK AND THE MEMBERS OF THE SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE FOR THE OPPORTUNITY TO DISCUSS SOME OF THE RURAL TRANSPORTATION ISSUES FACING NORTH DAKOTA. I WOULD LIKE TO FOCUS MY COMMENTS ON THE COUNTY AND TOWNSHIP ROAD NETWORK.

NORTH DAKOTA HAS A VERY EXTENSIVE ROAD NETWORK. WE HAVE OVER 106,000 MILES OF ROADS, STREETS, AND TRAILS IN THE STATE. THIS INCLUDES 7,300 MILES OF STATE HIGHWAYS, ALMOST 20,000 MILES OF COUNTY ROADS, 55,000 MILES OF TOWNSHIP ROADS, 3400 MILES CITY STREETS, AND OVER 20,000 MILES OF TRAILS. THUS, THE LOCAL JURISDICTIONS (53 COUNTIES AND 1,360 ORGANIZED TOWNSHIPS) ARE RESPONSIBLE FOR MAINTAINING ALMOST 90 PERCENT OF THE TOTAL ROAD NETWORK IN THE STATE.

NORTH DAKOTA'S COUNTY AND TOWNSHIP ROAD SYSTEM IS VITAL TO THE ECONOMIC HEALTH OF THE STATE. THESE ROADS SERVE AS A "FEEDER" SYSTEM TO OUR STATE AND INTERSTATE ROAD SYSTEM

AND PROVIDE ACCESS TO RURAL COMMUNITIES AND FARMS. NORTH DAKOTA'S AGRICULTURAL STRENGTH AND CAPACITY IS ONLY AS STRONG AS THE TRANSPORTATION SYSTEM THAT ALLOWS ITS PRODUCTS TO BE TRANSPORTED TO MARKET. THE RURAL ROAD NETWORK PROVIDES A VITAL LINK IN MOVING FARM PRODUCTS TO MARKET. TRUCKS ARE GENERALLY THE FIRST MODE OF TRANSPORTATION USED FOR TRANSPORTING FARM PRODUCTS. THUS, WHILE THE MILES TRAVELED ON LOCAL ROADS MAY BE MINIMAL, THOSE THAT ARE TRAVELED ARE ESSENTIAL.

CHANGES AT THE LOCAL LEVEL

THERE ARE MANY CHANGES THAT HAVE OCCURRED AT THE LOCAL LEVEL IN THE LAST FEW DECADES THAT HAVE HAD A MAJOR IMPACT ON THE TRANSPORTATION SYSTEM. ONE OF THE MAJOR CHANGES HAS BEEN A SHIFT IN POPULATION. THE NUMBER OF FARMS IN NORTH DAKOTA HAS BEEN DECLINING STEADILY. IN 1930, THERE WERE ABOUT 78,000 FARMS IN NORTH DAKOTA AVERAGING ABOUT 500 ACRES PER FARM. BY 1986, THE NUMBER OF FARMS HAD DECLINED TO ABOUT 33,000 AND THE AVERAGE FARM SIZE HAD INCREASED TO ALMOST 1200 ACRES. IN 1940, ABOUT 327,000 PEOPLE, OR OVER HALF THE STATE'S

POPULATION LIVED ON FARMS. BY 1980, THE RURAL FARM POPULATION HAD DECLINED TO ABOUT 103,000, OR ABOUT 16 PERCENT OF THE STATE'S POPULATION.

INADEQUATE ROADS AND BRIDGES

THE DEMANDS ON THE ROAD SYSTEM HAVE CHANGED THROUGH THE YEARS. ALTHOUGH TRAFFIC DENSITIES MAY HAVE DECLINED, EQUIPMENT MOVING ON THESE ROADS IS LARGER AND HEAVIER. THE MOVEMENT OF THIS TRAFFIC IS OFTEN HINDERED DUE TO THE POOR CONDITION OF ROADS AND BRIDGES.

THE STATE HIGHWAY DEPARTMENT ESTIMATES THAT APPROXIMATELY 80 PERCENT OF NORTH DAKOTA'S ROADS AND BRIDGES WERE BUILT PRIOR TO 1950. THE PROBLEM IS THAT THIS SYSTEM OF ROADS AND BRIDGES WAS FOR THE MOST PART BUILT AND DESIGNED TO MEET THE NEEDS OF TECHNOLOGY OF A HALF-CENTURY AGO. SINCE THAT TIME, RURAL SOCIAL AND ECONOMIC PATTERNS HAVE CHANGED THE NATURE OF FARMING AND ALTERED TRAFFIC PATTERNS ON THE LOCAL ROAD NETWORK. THESE OLD AND WEAK ROADS AND BRIDGES ARE OBSTRUCTING THE MOVEMENT OF THE STATE'S AGRICULTURAL PRODUCTS. THE ROADS ARE STILL NEEDED, BUT THE POPULATION BASE TO SUPPORT THE LOCAL

ROAD NETWORK HAS DECLINED MAKING IT EXTREMELY DIFFICULT TO GENERATE NEEDED FUNDS FOR LOCAL ROADS AND BRIDGES.

BRIDGES, RATHER THAN ROADS, ARE MORE OFTEN A CRITICAL SAFETY PROBLEM. THE AVERAGE TRAVELER CAN REDUCE SPEEDS AND TRAVEL POORLY MAINTAINED ROADS WITH REASONABLE SAFETY. THEY ARE NOT, HOWEVER, IN A POSITION TO JUDGE THE SAFETY OF A BRIDGE.

NORTH DAKOTA IS FACED WITH A MAJOR BRIDGE PROBLEM. THERE ARE JUST OVER 6100 MAJOR STRUCTURES (THOSE OVER 20 FEET IN LENGTH) IN THE STATE. ABOUT 4200 OF THESE MAJOR STRUCTURES ARE LOCATED ON THE COUNTY AND TOWNSHIP SYSTEM. ALMOST 3000, OR ABOUT 49 PERCENT, OF THE MAJOR STRUCTURES IN THE STATE ARE DEFICIENT. OF THE 3000 DEFICIENT STRUCTURES IN THE STATE, ABOUT 2800, OR 93 PERCENT, ARE ON THE LOCAL COUNTY AND TOWNSHIP ROAD SYSTEM. IN ADDITION, THERE ARE OVER 3500 MINOR STRUCTURES (THOSE UNDER 20 FEET IN LENGTH) ON THE COUNTY AND TOWNSHIP ROAD NETWORK. THESE MINOR STRUCTURES ARE NOT ELIGIBLE FOR FEDERAL AID AND ARE THE RESPONSIBILITY OF THE LOCAL JURISDICTION.

FEDERAL AID TO LOCAL JURISDICTIONS

THE TWO MAJOR SOURCES OF FEDERAL AID FOR THE COUNTIES ARE THE FEDERAL AID SECONDARY (FAS) AND FEDERAL AID BRIDGE PROGRAMS. IN 1986 THE COUNTIES RECEIVED ABOUT $5.6 MILLION IN FAS FUNDS. THIS WAS REDUCED TO $5.2 MILLION IN 1987. THERE ARE ABOUT 9300 MILES OF COUNTY SECONDARY ROADS IN THE STATE, WHICH MEANS THERE IS A SMALL AMOUNT OF FEDERAL ASSISTANCE TO TAKE CARE OF A LARGE SYSTEM.

THE STATE OF NORTH DAKOTA RECEIVED ABOUT $8.4 MILLION IN BRIDGE REPLACEMENT FUNDS IN 1986. THE COUNTIES RECEIVED 50 PERCENT OF THESE FUNDS, OR ABOUT $4.2 MILLION. IN 1986 NORTH DAKOTA'S ALLOCATION WAS REDUCED TO $6.7 MILLION AND THE COUNTIES SHARE WAS REDUCED TO $3.35 MILLION. AS STATED EARLIER THERE ARE ALMOST 2800 DEFICIENT MAJOR STRUCTURES ON THE LOCAL ROAD NETWORK. OF THE TOTAL STATE APPORTIONMENT OF FEDERAL BRIDGE FUNDS, ONLY 35 PERCENT CAN BE SPENT OF LOCAL OFF SYSTEM BRIDGES. IN NORTH DAKOTA A MAJORITY OF OUR DEFICIENT BRIDGES ARE LOCATED OFF THE FEDERAL AID SYSTEM. THEREFORE, WE WOULD ENCOURAGE CONGRESS TO ALLOW MORE FLEXIBILITY TO THE

STATES IN SPENDING ADDITIONAL FEDERAL BRIDGE FUNDS OFF THE FEDERAL AID SYSTEM.

THE FEDERAL BRIDGE PROGRAM HAS BEEN VERY BENEFICIAL TO LOCAL JURISDICTIONS. HOWEVER, DUE TO THE LARGE NUMBER OF DEFICIENT STRUCTURES IT HAS ONLY BEGAN TO SCRATCH THE SURFACE OF THE PROBLEM.

COMPOUNDING THE FUNDING SITUATION AT THE LOCAL LEVEL WAS THE LOSS OF FEDERAL REVENUE SHARING FUNDS. MANY OF THE LOCAL JURISDICTIONS USED THESE FUNDS TO PURCHASE EQUIPMENT USED FOR LOCAL ROAD IMPROVEMENTS. THE LOSS OF FEDERAL REVENUE SHARING COSTS THE STATE NEARLY $13 MILLION ANNUALLY. TO MAKE UP FOR THIS LOSS OF REVENUE, COUNTIES WOULD HAVE TO INCREASE THEIR LOCAL TAXES BY ALMOST 14 PERCENT, CITIES BY 12.5 PERCENT, AND TOWNSHIPS BY 14.7 PERCENT. AT A TIME WHEN THE FARM ECONOMY IS DEPRESSED IT IS EXTREMELY DIFFICULT TO RAISE LOCAL PROPERTY TAXES TO REPLACE LOST FEDERAL REVENUE SHARING FUNDS.

RAILROAD ABANDONMENTS

RAILROAD ABANDONMENT CONTINUES TO BE AN ECONOMIC THREAT TO MANY RURAL NORTH DAKOTA COMMUNITIES. THERE ARE OVER 60

COMMUNITIES IN THE STATE AND THREE COUNTIES THAT NO LONGER HAVE RAIL SERVICE. OVER 550 MILES OF TRACK HAS BEEN ABANDONED IN THE STATE SINCE 1980. IN AREAS LACKING RAIL SERVICE THE ONLY ALTERNATIVE AVAILABLE IS TRUCKING, WHICH MEANS THAT MORE COMMODITIES ARE MOVING LONGER DISTANCES ON ROADS.

RAILROAD ABANDONMENTS HAVE LED TO THE DEVELOPMENT OF SUBTERMINAL ELEVATORS. CHANGING MARKETING PATTERNS DUE TO THE DEVELOPMENT OF SUBTERMINAL ELEVATORS WHICH SHIP UNIT TRAINS HAS PUT A GREAT DEAL OF PRESSURE ON THE LOCAL ROAD NETWORK. IN MANY INSTANCES THERE IS A LARGE CONCENTRATION OF HEAVY LOADS ON A FEW ROADS LEADING TO THE SUBTERMINAL ELEVATOR. LOCAL ROADS, STREETS AND BRIDGES WERE NOT DESIGNED TO HANDLE THE NUMBERS AND CONCENTRATION OF HEAVY LOADS TRAVELING ON THESE ROADS.

CONCLUSION

IN SUMMARY, PUBLIC ROADS ARE SCRUTINIZED BY THE MOTORING PUBLIC ON A DAILY BASIS. ALL LEVELS OF GOVERNMENT ARE HAVING A DIFFICULT TIME GENERATING ADEQUATE REVENUE TO MEET THE DEMANDS

FOR SERVICE BY THE GENERAL PUBLIC. THIS IS ESPECIALLY TRUE AT THE LOCAL LEVEL. THE LOCAL ROAD PROGRAM MUST COMPETE WITH OTHER PROGRAMS FOR FUNDING. IN ADDITION, AS A RESULT OF DECLINING REVENUE AT THE STATE LEVEL DUE TO THE INCREASED FUEL EFFICIENCY OF VEHICLES, REVENUE LOST DUE TO THE SALE OF GASOHOL AND GENERAL ECONOMIC CONDITION OF THE STATE, THE AMOUNT OF REVENUE LOCAL JURISDICTIONS ARE RECEIVING FOR ROADS AND STREETS HAS BEEN DECLINING. THIS IS COMPOUNDED BY CUTBACKS IN FEDERAL FUNDING.

AS A RESULT OF CUTBACKS IN FUNDING FOR RURAL ROADS AND BRIDGES, LOCAL JURISDICTIONS HAVE BEEN FORCED TO CUT BACK SERVICES. SOME ROADS ARE NO LONGER MAINTAINED ON A REGULAR BASIS. STRUCTURES ARE BEING REPLACED BY CULVERTS, LOW WATER CROSSINGS, OR IN SOME CASES COMPLETELY ELIMINATED. SOME COUNTIES HAVE, OR ARE CONSIDERING, TURNING PAVED ROADS BACK TO GRAVEL. ONE MAJOR CONCERN OF LOCAL JURISDICTIONS WHEN SERVICES ARE REDUCED IS THEIR VULNERABILITY TO LAWSUITS AS A RESULT OF INADEQUATE ROADS AND BRIDGES. IN PARTICULAR, THE CONDITION OF THE ROAD SURFACE, BRIDGE CONDITIONS, AND PROPER SIGNING ARE AREAS OF CONCERN OF LOCAL OFFICIALS REGARDING LIABILITY.

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A FEASIBLE SOLUTION TO THE LOCAL ROAD AND BRIDGE PROBLEM WILL REQUIRE ADDITIONAL FUNDING AT THE LOCAL, STATE AND FEDERAL LEVEL. THE NEEDS ARE THERE. IF ADDITIONAL REVENUE IS NOT PROVIDED, SERVICES WILL HAVE TO BE FURTHER REDUCED. WHILE DECISIONS TO REDUCE SERVICES ARE NOT EASY OR POLITICALLY DESIRABLE, THEY WILL BE ESSENTIAL IF THE COST OF MAINTAINING OUR TRANSPORTATION SYSTEM CONTINUES TO INCREASE.

STATEMENT BY

COMMISSIONER BRUCE HAGEN
NORTH DAKOTA PUBLIC SERVICE COMMISSION
&
CHAIRMAN OF THE STATE INTERMODAL TRANSPORTATION TEAM

BEFORE

THE SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE

Tuesday, August 11, 1987

Sheraton Riverside Inn
2200 Burdick Expressway, U.S. Highway 2
Minot, North Dakota

Good afternoon. I am Bruce Hagen, a North Dakota Public Service Commissioner. The Public Service Commission is a state regulatory agency with jurisdiction over public utilities, siting of energy plants and transmission facilities, reclamation of mined lands, grain elevator and warehouse storage facilities, weights and measures, and public auctioneers and auction clerks. The PSC also regulates intrastate rail and motor carrier activities, and represents many of North Dakota's transportation interests in federal proceedings before Congress and federal agencies.

I also serve as Chairman of the State Intermodal Transportation Team. SITT was created by state law and functions to facilitate communications between state agencies involved in transportation. I am appearing here today representing the SITT and as a Public Service Commissioner. The remarks I make are my own.

North Dakota is an exporting state. Our grain elevators ship over 500 million bushels of grain and oilseeds annually.

The fruits of our farmers' labors would be of little value, however, if it wasn't for transportation. Value is created only when grain is delivered to processors and consumers. North Dakota is dependent on transportation, and agencies such as the North Dakota Highway Department, the North Dakota Public Service Commission, and the North Dakota Wheat Commission take an active role in attempting to insure that state shippers are provided with reasonably priced services in a rapidly changing environment.

The two major railroads that serve North Dakota provide us with excellent service. Burlington Northern has over 2200 miles of track in the state, while the Soo Line has just over 1200 miles. The Red River Valley and Western Railroad, which commenced service on July 19, 1987, over lines previously owned by BN, has 670 miles of track. These carriers combine to haul nearly 80 percent of North Dakota's grain to domestic processors and export destinations.

The rail industry and the elevators it serves have undergone dramatic changes since 1980. In late 1980, the state's railroads implemented rate discount programs for multiple car shipments. The discounts are still in place; they have encouraged over one-fourth of the 580 public elevators in North Dakota to expand to load unit trains. These 150 unit train loaders now market over 70 percent of the state's grain. The railroads' market share has risen from less than 60 percent to nearly 80 percent.

Think about these statistics for a minute. One-fourth of the elevators handle nearly three-fourths of the grain. The

restructuring of the grain elevator industry that started with the implementation of unit train rates is far from over.

Unit train rates has encouraged concentrations within the grain elevator industry. This is creating a problem for many small elevator operators who do not use unit train rates. Eventually, it may force many small elevators to operate on a nonpublic basis for personal use. If a shipper does not have the advantage of a unit grain train rate at one elevator, they tend to try to market their grain where they do have the advantage of unit grain train rates. This also helps shift the purchasing of elevator services and supplies to the elevator where the farmer markets his grain. Although this is the marketplace at work, railroad traffic rates are a significant part of the cause. We as regulators try to help affected elevators by trying to help them in whatever way we can, including helping them find alternative markets for specialty crops, such as buckwheat, high-protein wheat, millet, flax, etc.

Unit train facilities are not all bad, however. In some cases, they breathe new life into outlying elevators that serve as feeder or satellite stations. These satellites serve as collection points; grain is then commercially trucked from these stations to the main elevator. Rail rate savings are shared with satellite patrons. This also means more use and damage to the road system that serves the satellite stations and their unit grain train elevators. Thus, unit train rates create increased use and damage to our road system.

Unit train elevators realize economies over and above the railroads' rate discount. They have the capacity to blend grain to buyer specifications and to ship to non-traditional markets such as mills in New York or feedlots in Arizona. These capabilities all result in more profitable elevators and higher prices to farmers.

Just as we have, are, and will see transportation-related changes in the grain elevator industry, we will continue to see changes in the structure of the rail industry. Twenty-five years ago, North Dakota was served by six railroads that operated nearly 5200 miles of track. By early 1987, we had only three railroads and 4200 miles of track. (SEE ATTACHED CHART: Past North Dakota Rail Line Abandonments)

Rail mergers and bankruptcies were the rail topics of the 1970s. North Dakota saw the joining of the Great Northern and the Northern Pacific; we also saw the demise of the Milwaukee Road. The changes were not always easy to adjust to, but we lived through them, and I believe we have a stronger transportation system as a result.

Our road system is excellent, as North Dakota Highway Commissioner Walter Hjelle will tell you, but our road system has had to bear an increased burden as railroad abandonments have taken place. We must do everything possible to ensure that our highway system remains in first-class shape if we are to have the transportation system we need.

The 1980s have brought us abandonment, deregulation, and shortline railroads. Nearly 700 miles of North Dakota

branchline have disappeared in the 1980s. The railroads had very aggressive abandonment plans in the early 80s. We learned under fire how to successfully protest abandonments when they weren't warranted.

Our successes helped slow the railroads' plans and forced them to reevaluate their positions. The new "go-slow" approach, coupled with restructuring of the elevator industry that I discussed earlier, is resulting in the rebuilding of some branchlines and uncontested abandonments. The Public Service Commission evaluates each proposed abandonment and surveys shippers, other transportation entities, and the public interest before taking a position on any proposed abandonment. The marketplace, rather than the railroads, helps determine when abandonments should occur.

The North Dakota Highway Department handles the rehabilitation of branchlines when federal money is available. They work closely with our Commission, which must approve the funding. They have done excellent work in a working partnership with our railroads.

Eliminating branch rail lines means increased truck traffic to move whatever grain originally moved over the branchline. With the loss of nearly 700 miles of line in the 1980s, the long-term pressure on our state's road system has substantially increased. Under whatever scenario, there must be adequate funds for maintaining and improving our road system. Railroads cannot move grain unless the grain is moved into our country elevator system and then loaded and shipped by

railroad. This working partnership must be maintained and improved.

The Staggers Act of 1980 brought deregulation to the rail industry. We were concerned about what it might mean to areas like North Dakota with few transportation alternatives. We have worked hard with shippers, carriers, our congressional delegation, and the Interstate Commerce Commission to insure that captive shippers are protected from monopolistic practices.

Generally, we have been successful. On a whole, our rail rates are lower now than they were in 1980, and shippers have more service options. And more important, our railroads are healthier.

This does not mean that we are totally satisfied with the Staggers Act and the ICC. We continue to have some philosophical concerns with existing laws and rules. We are still actively engaged in seeking changes that would insure that North Dakota shippers have ready access to a high level of service and reasonable rates.

Seven years after the passage of Staggers, the ICC is still conducting a rulemaking proceeding to decide how to handle rate complaints from shippers such as North Dakota's elevators. And contrary to congressional intent, the ICC has avoided opportunities to encourage competition between railroads.

The Staggers Act was intended to eliminate regulatory oversight where competition exists and to provide protection where it does not. The ICC has failed to promote competition or to provide workable mechanisms via which captive shippers can

seek regulatory relief. Unfortunately, congressional intervention may be the only solution.

There is a problem with competitive access between railroads. In other words, more joint routes and joint rates and open gateways are needed. This is an area that railroads are working on. We do have a problem, for example, where the Soo Line Railroad has been denied competitive access in a paper mill case. Chicago Northwestern has denied the Soo Line access to the Mid-Tech firm in northern Wisconsin. This case has been back and forth between the Interstate Commerce Commission and the courts for several years.

The latest change to hit North Dakota's rail scene is shortline railroads. The 1970s brought us mergers and the 1980s are bringing us divestitures.

As I stated earlier, on July 19, 1987, the Red River Valley and Western Railroad acquired and began operating 670 miles of Burlington Northern track in southeastern and central North Dakota. The Red River appears to be a well organized business, and we look forward to working with them and the shippers and communities they serve. Hopefully, it will be a long and mutually beneficial relationship. Presently, the Public Service Commission is doing an evaluation of their operation under the law North Dakota has tc examine shortlines.

Other states have been less fortunate with shortlines. The possibility of shortlines has prompted us to seek congressional action to require a more formal administrative review of proposed shortline sales by the Interstate Commerce

Commission. Our goal is not to inhibit or promote the creation of shortlines, but to insure their ability to provide long-term service to affected shippers. There should be standards for buyers and public input before any shortline sale.

Although neither the Public Service Commission nor SITT have any jurisdiction regarding railroad labor and their relationship with shortline railroads, or other railroads, I believe railroad labor should be treated fairly in all respects.

What does the future hold in store for North Dakota's rail system? I think the past is reflective of the future--change is inevitable.

The only thing that will not change is North Dakota's dependence on transportation. This dependence and our lack of transportation alternatives forces shippers and organizations and agencies such as the North Dakota Highway Department, the North Dakota Wheat Commission, the North Dakota Public Service Commission and the Upper Great Plains Transportation Institute to be activists for all North Dakota citizens and to seek action that will result in the satisfaction of North Dakota's transportation needs.

Necessity forces us to remain activists in rail transportation and highway matters. We appreciate your continuing concern and assistance to help ensure that this is possible.

Thank you for the opportunity to appear.

Commissioner Bruce Hagen
ND Public Service Commission
& Chairman of the State
Intermodal Transportation Team

NORTH DAKOTA PUBLIC SERVICE COMMISSION

PAST NORTH DAKOTA

RAIL LINE ABANDONMENTS

CASE NO.	COMPANY	LINE	LENGTH	DATE
1045	Milw.	Brampton to Cogswell	7.5	1936
A-193	GN	Walhalla to CN Border	5.3	1936
A-194	GN	St. John to CN Border	3.6	1936
----	GN	Clifford to Portland	10.0	1962
1449	Mid-Cont	Clementsville to Edgeley	48.5	1970
1451	BN	Maxbass to Dunning	4.7	1972
1450	BN	Rutland to Ludden	30.2	1974
IRC 3	BN	Neche to Canadian Border	1.0	1976
IRC 8	BN	Blanchard to Mayville	10.1	1976
IRC 23	BN	Minnewauken to Brinsmade	7.5	1976
IRC 23 (Sub 1)	BN	Brinsmade to Leeds	9.9	1977
IRC 39	BN	Jamestown to Klose	5.9	1979
IRC 43	Milw.	Fargo to SD Border	70.4	1980P
IRC 50	Milw.	Edgeley to SD Border	31.5	1980P
IRC 56	Milw.	Brampton to SD Border	4.5	1980P
IRC 57	BN	Ellendale to Forbes	13.5	1980P
IRC 62	BN	Devils Lake to Warwick	21.1	1980C
IRC 63	BN	Joliette to Pembina	12.2	1980P
IRC 73	BN	Fairview Jct. to Great Bend	8.8	1981P
IRC 76	BN	Binford to McHenry	11.7	1981C
IRC 77	BN	Newburg to Dunning	5.6	1981N
IRC 82	Milw.	New England to SD Border	123.8	1982P
IRC 84	BN	Golva to MT Border	7.4	1981N
IRC 97	BN	Wolford to Dunseith	23.4	1982P
IRC 100	BN	Casselton to Amenia	6.1	1982C
IRC 101	BN	Rolla to St. John	7.2	1982N
IRC 103	SOO	Wimbledon to Clementsville	9.3	1982N
IRC 105	BN	Grand Forks to Honeyford	16.6	1983C
IRC 106	BN	Edgeley to Streeter	39.4	1983P
IRC 109	BN	Ludden Jct. to Ellendale	20.1	1984P
IRC 110	BN	Beach to Golva	12.9	1984N
IRC 111	BN	Truax to Truax Jct.	6.7	1984N
IRC 113	BN	Regan to Wilton	11.5	1984N
IRC 115	BN	Loraine to Sherwood	7.6	1984N
IRC 116	BN	Zeeland to SD Border	6.0	1984P
IRC 117	SOO	Egeland to Armourdale	19.6	1984N
IRC 119	BN	Westhope to Antler	13.0	1985N
IRC 120	BN	Hunter to Blanchard	10.5	1985
IRC 125	BN	Zap to Killdeer	40.9	1984P
IRC 128	BN	Mandan to Mott	99.4	1986N
IRC 132	SOO	Bismarck to Moffit	22.1	1986N
IRC 135	SOO	Ashley to SD Border	16.3	Pending

P - Protest filed with Interstate Commerce Commission (ICC).

C - Comments filed with ICC.

N - No protest or comments filed with ICC.

79-227 O - 87 - 4

TO: SENATOR QUENTIN N. BURDICK
SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
458 PIRKSEN SOB
WASHINGTON, D.C. 20510

FROM: NORTH DAKOTA AERONAUTICS COMMISSION
GARY R. NESS,
DIRECTOR

SUBJECT: NORTH DAKOTA AVIATION TRANSPORTATION CONCERNS

COMMITTEE FIELD HEARING
MINOT, NORTH DAKOTA
AUGUST 11, 1987

ORAL TESTIMONY PRESENTOR:

JACK K. DANIELS,
CHAIRMAN
NORTH DAKOTA AERONAUTICS COMMISSION

I want to thank the Committee for the opportunity to present the concerns of the North Dakota aviation community and the North Dakota Aeronautics Commission.

Whenever Transportation issues are discussed in these times, there is one topic that surfaces first: Airlines - scheduling difficulties and delays. However, the major factor in the big picture is the infrastructure that is used by air travelers. The airports and their importance to the traveling public, the business community, governmental agencies and most important, the medical community, rely on a system of airport facilities to support those aircraft that service their needs.

As the clock runs on the infrastructure of airports and the cost of repair and maintenance continue to rise, our concern is 'where will the dollars come from for the needs of the system?'

Like highways, most airports were designed initially with forethought and a degree of anticipated size, weight and aircraft approach speed changes. However, the aviation community never envisioned the rapid large changes in technology and improvements of the aircraft industry that we see today. What the future brings is even more staggering to one's imagination.

The question for the future is what will be the cost to meet the needs and where will the funding come from to continue the upscaling needed to stay in step for the future.

Congress, in a well thought-out program, created the "Aviation Trust Fund". The fund was established using a taxing structure from the user to keep the infrastructure in step with the system as it grew. The concept was excellent and correct. However, due to governmental regulation and budgetary problems, the "Trust Fund" has been held "hostage", for the lack of another term. It is tied to the Unified budget and controlled by the wishes of OMB with a present surplus of an unobligated revenue of $6 billion.

The original concept as mandated by Congress was to finance the needs of the National Airspace System Plan (NASP). Those funds come from the traveling public for the benefit of same, not to be held as an off setting account balance for a spending deficit

of the federal budget. It is strongly recommended that the "Aviation Trust Fund" be set aside from the unified budget and allocated to the job it was designed for, The improvement of the National Air Transportation System.

To point out the needs of North Dakota within the National System, we as a State receive Airport Improvement Program (AIP) funding at a level that is not sufficient to meet our general aviation needs. The major airports receive enplanement funding and apportionment funds at a level that meets the needs.

Where the State lacks is the federal discretionary funds available for safety projects that meet the needs of a community and state and presently falling by the wayside because of lack of funding.

Attached you will find Exhibit A describing Discretionary Funding for FY-84, FY-85, and FY-86 as depicted. It is obvious that North Dakota does not have a very deep pocket to dig into in relation to the upper midwestern states. The Infrastructure Task Force study for maintenance and improvement of North Dakota air carriers and GA airports is shown in Exhibit B.

For FY'87, the only discretionary funds that apparently are available are $176,000 to Jamestown, and $234,800 to Grand Forks, for a total of $415,800. FY'86 funding was $777,000. I would like to point out that the qualification of projects are highly competitive and general aviation in North Dakota comes very low on the competitive scale. Our concern is that this competition will get even stronger and our needs will continue not to be met. We suggest that an apportionment formula be outlined to keep smaller populated states needs met on standards and safety.

This funding comes from the "Aviation Trust Fund" and as long as a cap is set by OMB, the states of North Dakota's size are going to come up in the short end of the competitive stick.

As North Dakota gathers momentum toward economic stability with a diverse economy, our needs for a modern airport system will increase. The air carrier airports and the secondary general aviation airports will need careful forecasting and planning to

accomodate the business air traveler of the future. The need for federal funding from the "Aviation Trust Fund" will become ever more important.

In 1978, Congress passed the "Deregulation Act of Airlines". Part of the program was the creation of the "Essential Air Service" (EAS) program. This subsidy was a "buyoff" of the central United States for the deregulation of airlines. It provided that rural U.S. would not be dislocated from the National Air Transportation System.

The EAS program has a sunset date of October 1988. The program is currently being discussed in both the House and the Senate. To the three EAS communities of North Dakota, Jamestown, Devils Lake and Williston, this program means air service to the rest of the nation. If the program is not reinstated, these three cities will lose air service and this would not only set back their ability to economically recover, but also would give North Dakota a major blow to have 40% of the aircarrier airports without airline service. The EAS program is not just North Dakota. It is the whole central U.S., an area that has taken some very hard agricultural economic set backs. The reinstatement of the EAS program is a front burner type problem that should not be taken lightly. Dislocation from the National Air Transportation System could be the blow that knocks the rural central U.S. out for a long, long time. South Dakota Senator Larry Pressler also acknowledged this small state abandonment as quoted, "The questions is whether we are going to have a truly national air transportation system or whether we are going to allow it to focus exclusively on urban populated cities".

In Summary: As the pressure is put to strengthen the FAA controllers, solve capacity problems at the hub airports and to provide reliever airports in the larger market areas, let us not forget there is an infrastructure of smaller populated areas that need attention. The main public focus of air transportation is viewed at the "Hub Airports". However, the hubs have to get their passengers from smaller markets and those areas need as much or more focus.

As stated, the EAS program is a necessity to rural America. To discontinue the program before it has matured would be a total diservice to the intent of the original legislation.

DISCRETIONARY FUNDING FOR FISCAL YEARS 1984, 1985 and 1986

	FY-1984		FY-1985		FY-1986			
	TOTAL	RELIEVER DISC. INCL. IN TOTAL	TOTAL	RELIEVER DISC. INCL. IN TOTAL	TOTAL	RELIEVER DISC. INCL. IN TOTAL	3 YR TOTAL	3 YR CUMULATIVE % AVERAGE
ILLINOIS	$16,765,836	$10,752,154	$23,069,520	$10,560,683	$20,507,698	$ 9,477,845	$ 60,343,054	30.3%
INDIANA	10,983,403	3,406,970	9,848,110	2,380,298	11,107,358	3,990,821	31,938,871	16.0%
MICHIGAN	7,778,748	1,215,000	6,453,873	3,486,496	6,583,023	1,935,000	20,815,644	10.5%
MINNESOTA	8,035,891	1,600,000	6,922,172	2,914,830	2,069,105	-0-	17,027,168	8.6%
NORTH DAKOTA	2,913,015 (4.4%)	-0-	1,712,339 (2.4%)	-0-	777,188 (1.3%)	-0-	5,402,542	2.7% *
OHIO	10,032,681	3,488,424	14,219,940	4,874,850	8,941,727	3,903,412	33,194,348	16.7%
SOUTH DAKOTA	2,115,881	-0-	3,536,993	-0-	3,267,769	-0-	8,920,643	4.5%
WISCONSIN	7,821,355	3,916,300	5,247,447	4,112,460	8,411,892	6,027,120	21,480,694	10.8%
TOTALS (includes recovered funds)	$66,446,810	$24,378,848	$70,992,394	$28,329,617	$61,665,760	$25,334,198	$ 199,122,964	

* Lowest Total of 8 states in FAA Great Lake Region.
(-1.8% Lower than area state of South Dakota)

EXHIBIT A

FUNDING NEEDS FOR AIR CARRIER AIRPORTS IN NORTH DAKOTA

TIME FRAME PHASES

Airport Location	Present to Oct. 1, 1987	Oct. 1, 1987 Oct. 1, 1988	Oct. 1, 1988 Oct. 1, 1989	TOTALS
Bismarck	$ 400,000	$ 1,800,000	$ 6,000,000	$ 8,200,000
Devils Lake	291,000	55,000	75,000	421,000
Fargo	1,800,000	4,050,000	700,000	6,550,000
Grand Forks	550,000	500,000	1,000,000	2,050,000
Jamestown	325,000	360,000	700,000	1,385,000
Minot	3,500,000	335,000	200,000	4,035,000
Williston	386,000	120,000	200,000	706,000
TOTALS	$ 7,252,000	$ 7,220,000	$ 8,875,000	$ 23,347,000

Prepared by:
North Dakota Aeronautics Commission
Box 5020
Bismarck, North Dakota 58502

EXHIBIT B

DEVILS LAKE MUNICIPAL - KNOKE FIELD

NORTH DAKOTA AERONAUTICS COMMISSION
INFRASTRUCTURE TASK FORCE SURVEY

Submitted by:
Ken Koehn
Airport Manager
(701) 662-5833

PHASE	RECOMMENDED DEVELOPMENT SCHEDULE	COST
I Present – Oct. 1, 1987	Snow removal storage equipment - building addition	$ 46,000
	Construct general aviation area, taxiway, access road for snow Removal equipment building, light taxiway.	170,000
	Sweeper for runways and ramp	25,000
	Automated weather system (AWOS)	50,000
	TOTAL	$ 291,000
II Oct. 1, 1987- Oct. 1, 1988	New Beacon (or retrofit old)	15,000
	Snow removal equipment - snow blower	30,000
	Sander for runways	10,000
	TOTAL	$ 55,000
III Oct. 1, 1988- Oct. 1, 1989	Access road to general aviation area for fire fight equip.	$ 25,000
	Resurface cross runway and reseal	50,000
	TOTAL	$ 75,000
	GRAND TOTAL	$ 421,000

A. Comments on Financing: _____

B. Return to North Dakota Aeronautics Commission before February 15, 1987:

North Dakota Aeronautics Commission
ATTN: Mark
P.O. Box 5020
Bismarck, ND 58502

C. Thanks for your cooperation.

BISMARCK MUNICIPAL AIRPORT

NORTH DAKOTA AERONAUTICS COMMISSION
INFRASTRUCTURE TASK FORCE SURVEY

Submitted by:
John Van Middleswor
Asst. Airport Manag
(701) 222-6502

PHASE	RECOMMENDED DEVELOPMENT SCHEDULE	COST
I Present – Oct. 1, 1987	Replace asphalt ramp with concrete	$ 300,000
	Purchase equipment for snow removal	100,000
	TOTAL	$ 400,000
II Oct. 1, 1987- Oct. 1, 1988	Parallel taxiway for runway 13-21	$1,000,000
	General Aviation ramp	800,000
	TOTAL	$1,800,000
III Oct. 1, 1988- Oct. 1, 1989	Relocate road, extend runway & taxiway with all associated facilities - runway 3-21	$6,000,000
	TOTAL	$6,000,000
	GRAND TOTAL	$8,200,000

A. Comments on Financing: Most of our work will be highly dependent on availability of federal funds with matching funds provided with airport revenues, state block grant, and local resources.

B. Return to North Dakota Aeronautics Commission before February 15, 1987:

North Dakota Aeronautics Commission
ATTN: Mark
P.O. Box 5020
Bismarck, ND 58502

C. Thanks for your cooperation.

FARGO HECTOR INTERNATIONAL AIRPORT

NORTH DAKOTA AERONAUTICS COMMISSION
INFRASTRUCTURE TASK FORCE SURVEY

Submitted by:
Joe Parmer,
Ex. Director
(701) 241-1501

PHASE	RECOMMENDED DEVELOPMENT SCHEDULE	COST
I Present – Oct. 1, 1987	High Intensity Lighting System RW 17/35	$ 150,000
	Taxiway Construction - Aviation Related Industrial Area	1,650,000
	TOTAL	$1,800,000
II Oct. 1, 1987- Oct. 1, 1988	Ramp Construction - Aviation related industrial area	$2,000,000
	Ramp and Taxiway paving - general aviation area	300,000
	Maintenance Facility and Associated Roadways	1,750,000
	TOTAL	$4,050,000
III Oct. 1, 1988- Oct. 1, 1989	Ramp and Taxiway Reconstruction - General Aviation Area	$ 700,000
	TOTAL	$ 700,000
	GRAND TOTAL	$6,550,000

A. Comments on Financing: _____

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B. Return to North Dakota Aeronautics Commission before February 15, 1987:

North Dakota Aeronautics Commission
ATTN: Mark
P.O. Box 5020
Bismarck, ND 58502

C. Thanks fr - your cooperation.

MINOT INTERNATIONAL AIRPORT

NORTH DAKOTA AERONAUTICS COMMISSION
INFRASTRUCTURE TASK FORCE SURVEY

Submitted by:
Clint Peterson
Airport Manager
(701) 857-4724

PHASE	RECOMMENDED DEVELOPMENT SCHEDULE	COST
I Present – Oct. 1, 1987	New terminal building & related work	$3,500,000
	TOTAL	$3,500,000
II Oct. 1, 1987- Oct. 1, 1988	Electric vault building & fencing	$ 335,000
	TOTAL	$ 335,000
III Oct. 1, 1988- Oct. 1, 1989	Land acquisition	$ 200,000
	TOTAL	$ 200,000
	GRAND TOTAL	$4,035,000

A. Comments on Financing: These items are in planning stages with a possible delay in the years shown.

B. Return to North Dakota Aeronautics Commission before February 15, 1987:

North Dakota Aeronautics Commission
ATTN: Mark
P.O. Box 5020
Bismarck, ND 58502

C. Thanks for your cooperation.

WILLISTON SLOULIN INTERNATIONAL AIRPORT

NORTH DAKOTA AERONAUTICS COMMISSION
INFRASTRUCTURE TASK FORCE SURVEY

Submitted by:
Jerry Olson,
Airport Manager
(701) 774-8594

PHASE	RECOMMENDED DEVELOPMENT SCHEDULE	COST
I Present – Oct. 1, 1987	Improve Airport Drainage System, engineering	$ 156,000
	PAPI installation and taxiway lights to rwy 2/20	38,000
	Purchase Motor Grader	100,000
	Re-construct terminal apron	28,000
	Airport fencing	62,000
	TOTAL	$ 386,000
II Oct. 1, 1987- Oct. 1, 1988	Chip seal rwy 2/20, taxiway system, marking, lighting, crack repair, engineering	$ 120,000
	TOTAL	$ 120,000
III Oct. 1, 1988- Oct. 1, 1989	Terminal improvements, airport equipment, crack seal airport surfaces	$ 200,000
	TOTAL	$ 200,000
	GRAND TOTAL	$ 706,000

A. Comments on Financing: _____

B. Return to North Dakota Aeronautics Commission before February 15, 1987:

North Dakota Aeronautics Commission
ATTN: Mark
P.O. Box 5020
Bismarck, ND 58502

C. Thanks for your cooperation.

JAMESTOWN MUNICIPAL AIRPORT

NORTH DAKOTA AERONAUTICS COMMISSION
INFRASTRUCTURE TASK FORCE SURVEY

Submitted by:
Gary Baker,
Airport Manager
(701) 252-6466

PHASE	RECOMMENDED DEVELOPMENT SCHEDULE	COST
I Present – Oct. 1, 1987	Reseal rwy 03/21, concrete apron repair taxiway to hangar area	200,000
	Purchase snow plow vehicle equipment	125,000
	TOTAL	$ 325,000
II Oct. 1, 1987- Oct. 1, 1988	New apron area for F.B.O. slot	$ 200,000
	Emergency generator and electrical vault	160,000
	TOTAL	$ 360,000
III Oct. 1, 1988- Oct. 1, 1989	Terminal building remodeling/expansion	$ 350,000
	Reseal rwy 13/31, auto parking lot, access road, striping, engineering	350,000
	TOTAL	$ 700,000
	GRAND TOTAL	$1,385,000

A. Comments on Financing: _____

B. Return to North Dakota Aeronautics Commission before February 15, 1987:

North Dakota Aeronautics Commission
ATTN: Mark
P.O. Box 5020
Bismarck, ND 58502

C. Thanks for your cooperation.

NORTH DAKOTA THREE YEAR GENERAL AVIATION AIRPORT FEDERAL AID PROGRAM SCHEDULE

Prepared by:
N.D. Aeronautics Commission
February 10, 1987

Year	Location	Project Description	Cost
1987	Harvey	Pave rwy 11/29, txy and apron, MIRL, PAPI, engineering	$ 550,000
1987	Casselton	Hard surface rwy 13/31, txy and apron, acq. land, MIRL, PAPI, eng.	$ 750,000
		1987 CY Total - - -	$ 1,300,000
1988	Mandan	Overlay and seal rwy 13/31, eng.	$ 350,000
1988	Kenmare	Extend and overlay rwy 8/26, apron, MIRL, PAPI, land acq. easements, eng.	750,000
1988	Oakes	Seal rwy 12/30, MIRL, PAPI, expand apron, eng.	250,000
		1988 CY Total - - -	$ 1,350,000
1989	Kindred	Land acq., easements, strengthen & extend rwy 15/33, txy., apron, MIRL, PAPI, eng.	$ 900,000
1989	Bottineau	Seal coat rwy 13/30, apron expand. PAPI, crack seal, mkg., eng.	125,000
1989	Rolla	Overlay and seal coat rwy 14/32, seal coat, mrkg., PAPI, MIRL, eng.	300,000
		1989 CY Total - - -	$ 1,325,000

The Rural Road Connection -- the First Link in the International Agricultural Marketing Chain

by

Daniel L. Zink[1]

Our international marketing system consists of a series of interrelated activities which, as a group, constitute the chain of events that occur when upper midwest commodities are placed in the hands of foreign buyers. Between the farmer-producer and the foreign consumer, a commodity is handled, transported and conditioned and may change hands many times.

In visualizing this process we normally think of items such as unit trains, subterminal elevators, massive interstate highway systems, towering port facilities and huge ocean-going bulk vessels. However, one often neglected or ignored portion of this entire chain is our rural road system. The system of county and township roads provides that first step in that entire chain of events which make up the entire marketing/logistics system. The local road system serves as a network of consolidating feeder lines for the major arterial highways, much as the railroads' system of branch lines "feeds" the carriers' main line system.

Our rural road network is facing some serious problems as our agricultural marketing system goes through some very major

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[1]Transportation Economist, Upper Great Plains Transportation Institute, North Dakota State University, Fargo.

changes. These changes, as well as other factors, have some serious implications for the condition, financing and rationalization of local roads.

FARM TRUCKS

The first transportation vehicle used in marketing of agricultural products is the farm truck. It is utilized for hauling grains both from field to farm storage and from farm storage to the local country elevator. Although not comparable in size and capacity to the over-the-road semi-truck, farm truck shipments do have an impact on local roads due to their own maximum vehicle weights and axle configurations.

Several changes in farm truck transportation of agricultural commodities are notable in their potential effects on North Dakota's road system. The average payload of farm trucks has increased over the past decade from 248 bushels to 310 bushels (Table 3). Also, the distance traveled by farm trucks has increased. The average one-way distance traveled to country elevators increased form 9.6 to 12 miles, while the total vehicle miles increased from 2,510 to 5,162 miles per year over the same time period. Although no data were available for 1973, in 1980 sixteen percent of all farm trucks in North Dakota were tandem-axle trucks. A higher proportion of tandem axle trucks are found in eastern North Dakota than in the central or western regions.

Legal weight limits applicable to farm trucks have been increased recently, which may also put increased pressure on

rural roads and bridges. While prior to 1982 single axle tr were limited to 18,000 pounds gross vehicle weight, that lim was increased to 20,000 pounds by passage of the Surface Transportation Assistance Act of 1982.

SEMI-TRUCKING

Since the development of effective truck transportation the early 1900's, the transportation of agricultural product inputs in North Dakota has been characterized by some combina of rail and truck shipment, each vying for a greater share of total traffic and revenues. The effectiveness of either in dominating or capturing traffic has been a function of many variables including government policies and regulation, technology, production patterns, and a host of other marketin factors. In the recent past railroads have been able to capt the major share of the raw agricultural product shipments fro North Dakota; however, trucks did haul 41 percent of all grai and oilseeds shipped form the state in the 1978-79 crop year (Table 1).

The proportion of North Dakota commodities shipped by ra and truck have significant implications for management and funding of the state's public transportation facilities, particularly the state and county road systems. Truck shipme of grain and oilseeds constitute a significant share of the vehicle miles and weight. Diverting those shipments to railroads, although not necessarily desirable from a competit

pounds for typical grain hauling semi-trucks on the Interstate and U.S. federal aid highway system. Weight limits on the state and county system were also increased recently to 105,500 pounds.

CHANGES IN COUNTRY ELEVATOR MARKETING

Country grain elevators have long served in their primary role of consolidating smaller grain shipments from farmers and merchandising them in larger consignments at major terminal markets. This role generally involves basically three steps. First, grain is purchased and received from farmers who deliver grain in their single or tandem axle trucks. This delivery may occur at any time during the year, and actually takes place continuously throughout the marketing year, with harvest (July-October) typically being the season with heaviest farmer sales. The second step involves intermediate conditioning of grain at the country elevator. This process normally involves blending of grain to desired qualities, drying to acceptable moisture levels, cleaning to remove foreign material and storage for either short or long periods of time. The final step involves sale and shipment of grain to buyers at terminal markets. Grain can be sold to many different buyers depending on prices offered by each and the needs of each buyer relative to types of trains, quality levels, and other considerations. Shipment is made in either over-the-road semi-trucks or by hopper-bottom rail car. Receipt of payment from the buyer by the country elevator completes the country marketing phase of this system.

The number of grain elevators in North Dakota has been decreasing since approximately the turn of the century when over 2,000 elevators were in operation. Due to pressures toward increased throughput and other reasons, the number is currently down to approximately 573 (Table 4).

A reduction in elevator numbers has significant implications for North Dakota's transportation system, particularly for local roads. The area from which farmers haul grain to a particular grain elevator is called the elevator's "trade area". An elevator manager may expand his trade area by offering higher grain prices or better services, thereby enticing farmers to patronize his elevator. Most producers are fortunate in that they have more than one elevator market available to them thereby providing competition for available grain. However, as fewer elevators compete for patrons, producers may find themselves having to haul farther to market as elevator trade areas grow in size. As deliveries from a larger trade area to an elevator are funneled to fewer roads approaching the elevator, more dramatic road deterioration may be experienced.

While elevator numbers overall have been decreasing, a shift in the concentration of grain moving through the remaining stations has occurred. A larger share of the total grain handled is done through a smaller number of firms. For example, the five largest grain elevators in 1977-78 handled about 5 percent of all grains marketed from North Dakota. In 1985-86, the largest five firms handled almost 10 percent of all grains (Table 5).

This concentration of grain shipments has significant implications for the state's transportation network. Many of these larger shippers are intense users of trainload or "unit train" shipments. Many of them are also participants in a "subterminal-satellite" elevator organization. While the trainload shipments may divert volume from interstate truck shipments, the truck shipments from the substations to subterminal may have a negative impact on the roads utilized locally. The subterminal-satellite system is explained in more detail in later section.

In the 1980's, North Dakota has witnessed significant changes in the traditional country grain gathering system. These changes have been precipitated largely by the introduction of so-called "multi-car" or "unit train" railroad rates. Under these new rate structures, incentives in the form of rate reductions are offered to ship grain in greater than single car lots. Some of the more common "multiple-car" lots are 3 car, 26 car, 50 car, and 54 car. An example of the rate savings or incentives offered for these shipments is presented in Table 6. Railroads offer these rate savings as part of their marketing and pricing programs to reduce their costs of operation and increase their volume of grain handling business in the state.

SUBTERMINAL ELEVATORS

Changes brought about by the introduction of multi-car railroad rates have been numerous and far-reaching. The country

elevator industry has been undergoing significant structural changes in an effort to adjust to and take advantage of the new rates. One major resulting change has been the emergence of what has been termed the "subterminal" grain elevator. Subterminal elevators are simply those that have the physical capabilities to load grain onto 26 or 52 car trains and access the associated rate savings. Local country elevators normally must add rail trackage, add storage capacity, or upgrade internal machinery in order to accommodate the fast loading requirements of multiple car shipments. Virtually all of the subterminal elevators existing today were constructed or upgraded to subterminal capacity since the introduction of multiple care rates in December of 1980 (Griffin and Mielke, 1982). Today, about 125 North Dakota elevators ship grain in 26 or 52 car trains.

Although the 125 subterminals represent only 22 percent of all elevators operating in North Dakota, they account for a significantly higher percentage of all grains and oilseeds shipped from the state. In the 1986-87 crop year, the 125 subterminals shipped 350 million bushels or about 65 percent of all grain and oilseeds shipped from North Dakota. The effects of this concentration of grain shipments through fewer elevators may be felt on North Dakota's state and rural road network. As fewer elevators handle the same amount or more grain, this suggests that average length of hauls by farmers to country markets will become longer. This may mean that more vehicle miles will be put on local roads with farm and other trucks.

These subterminals rely heavily on rail shipment of grain due to the rate savings available from multi-car or trainload shipment. While the state wide modal split in the 1985-86 crop year was 74 percent rail and 26 percent truck, the rail share for these 125 subterminal was much higher. This higher proportion of rail shipments also has implications for North Dakota's road system. As the proportion of rail shipments increases, the truck modal share decreases, potentially removing truck shipments from the roadways. However, before reaching conclusions regarding truck modal share and truck vehicle-miles. An investigation of the total bushels shipped from the state must be made. As shown in Tables 1 and 2, truck modal share has decreased since the 1978-79 crop year, but bushels shipped has remained relatively constant. If trucks had maintained their share over this time period, their absolute volume should have increased from 185 million bushels in 1978-79 to 235 million bushels in 1983-84.

SUBTERMINAL/SATELLITE ELEVATORS

The advent of the subterminal elevator in North Dakota has had other consequences relative to North Dakota's road and bridge network. Very likely the most significant has been the development of the "subterminal/satellite" cooperative elevator companies. This type of cooperative is formed by the merger of consolidation of several local elevators for the purpose of consolidating grain shipments through a single, central shipping point. The central shipping point is generally a newly

constructed subterminal or an existing station upgraded to subterminal capabilities. Operational activity generally consists of the following activities:

1. Grain is delivered to local country elevators ("satellites" or "substations") by producers in single or tandem-axle farm trucks.
2. Grain is stored, blended or conditioned at the local substation.
3. Grain is trucked (usually with larger semi-trucks) from the substation to the central shipping point (subterminal).
4. Grain is blended or stored at the subterminal and subsequently loaded into 24-27 or 50-54 car trains for reshipment to terminal markets.

Inspection of this process will reveal that a new activity has been added to the traditional country grain marketing system. Consolidation of shipments from substations and semi-truck movement to the subterminal has led to a significant increase in local truck traffic in some areas of the state. Although the primary method of marketing is still the farm-country elevator-terminal market, a significant number of bushels are trucked from one elevator to another for reshipment. In the crop years 1983-84 to 1986-87, an average of over 26 million bushels per year was shipped from one North Dakota elevator to another, presumably for reshipment by rail (Table 8). The potential impacts of these inter-elevator shipments on North Dakota's rural road system

become more apparent when the volumes are expressed in number of truckloads required to ship this quantity of grain. In 1983-84, almost 40,000 truckloads were shipped between elevators, while 38,000 truckloads were shipped in 1984-85. It is important to note that these shipments are in addition to the 145 and 139 million bushels shipped from North Dakota to out of state destinations in the same crop years. The most critical consequence of this phenomenon is that a large proportion of these intra-state shipments take place on the rural of local road system. While inter-state truck shipments are generally routed to the nearest major arterial such as an Interstate Highway, the intra-state shipments are made primarily over state or county roads.

Many of these subterminal/satellite operations exist in North Dakota, and are highly variable in size and scope. A number of local farmer cooperatives have merged or consolidated into a larger cooperative, some have simply bought nearby stations, while others have not changed their organizational structure, but simply purchase grain from surrounding stations and merchandise it through their own facilities.

IN-STATE PROCESSING OF AGRICULTURAL COMMODITIES

A significant addition to North Dakota's agricultural marketing system has been made in the late 1970's and 1980's in the form of increased capacity in the processing of agricultural commodities. Prior to the 1970's, agricultural processing was

mostly limited to blending, mixing, and grinding at local feed plants for livestock consumption at nearby feedlots and farms. The only exceptions to this was the state-owned North Dakota Mill and Elevator at Grand Forks and the beet processing plants in the Red River Valley. Since then several plants of varying sizes have been constructed. These include sunflower crushing plants, barley malting plants, a past manufacturing plant, and alcohol fuels plants.

The volume of commodity shipments into agricultural processing can be substantial. In the 1986-87 crop marketing year total shipments of grain and oilseeds to in-state processors amounted to approximately 42 million bushels, a large share of which was by truck.

A P P E N D I X A

Tables 1 - 9

Table 1. Modal Share of Grain and Oilseed Shipments From North Dakota, Crop Years 1974-75 to 1985-86.[a]

Crop Year	Total Grain and Oilseed Shipments (Thousand Bushels)	Rail Share (Percent)	Truck Share (Percent)
1975-76	320,285	74	26
1976-77	305,912	67	33
1977-78	358,604	66	34
1978-79	456,233	59	41
1979-80	476,065	62	38
1980-81	401,085	63	37
1981-82	461,862	69	31
1982-83	491,671	69	31
1983-84	538,818	70	30
1984-85	511,855	73	27
1985-86	478,390	74	26

[a]Grain marketing statistics are generally reported for a crop marketing year, July through June.
Source: North Dakota Public Service Commission.

Table 2. Volume of Grain and Oilseed Shipments from North Dakota, by Mode, 1974-75 to 1985-86.

Year	Rail Shipments	Truck Shipments
	(Thousand Bushels)	
1975-76	236,491	83,793
1976-77	205,129	100,783
1977-78	235,178	123,426
1978-79	271,069	185,165
1979-80	294,342	181,724
1980-81	251,938	149,147
1981-82	317,304	144,558
1982-83	340,461	151,210
1983-84	393,110	145,709
1984-85	375,009	136,847
1985-86	355,387	123,004

Source: North Dakota Public Service Commission.

Table 3. Selected Farm Truck Transportation Statistics, North Dakota, 1973 and 1980.

Characteristic	1973	1980
Average Payload/Trip (bu.)	248	310
Average Mileage/Trip (one-way)	9.6	12
Total Annual Truck Mileage	2,510	5,162
Tandem Axle/Single Axle Ratio	N.A.	80/16

Source: Griffin, Gene C. and Robert J. Tosterud, "Grain Transportation Costs and Characteristics for North Dakota Farm Trucks," UGPTI Report No. 28, Upper Great Plains Transportation Institute, North Dakota State University, Fargo, June 1975, and Griffin, Gene C., Wesley Wilson and Ken Casavant, "Characteristics and Costs of Operation of North Dakota's Farm Trucks," UGPTI Report No. 51, Upper Great Plains Transportation Institute, North Dakota State University, Fargo, December 1984.

Table 4. Number of Licensed Country Grain Elevators, Average Storage Capacity and Average Volume Handled, North Dakota.

Year	Licensed Elevators	Average Storage Capacity	Average Volume Handled
	Number	(Bushels)	
1915	2,031	30,000	--
1922	1,832	30,000	--
1952	936	68,000	--
1964	789	159,000	--
1969	663	188,000	460,000
1971	650	197,000	460,000
1973	636	207,000	647,000
1975	617	204,000	519,000
1977	600	229,000	598,000
1979	589	248,000	808,000
1980	592	263,000	678,000
1981	589	265,655	784,000
1982	578	287,531	851,000
1983	582	304,900	926,000
1984	563	316,148	909,000
1985	577	345,075	829,000
1986	573	411,013	N.A.

Source: North Dakota Grain Dealers Association, Directory of Licensed and bonded Country Elevators in North Dakota, Fargo, 1985; Ogg, Dennis C., North Dakota Grain and Oilseed Transportation Statistics 1985-86, UGPTI Report No. 61, Upper Great Plains Transportation Institute, North Dakota State University, Fargo, March 1987; and North Dakota Board of Railroad Commissioners, Annual Report to the Governor, for the biennial period ending June 30, 1916.

Table 5. Volume of Grain Handled by the Largest Country Elevator Firms in North Dakota.

Year	Largest 5 Firms	Largest 10 Firms	Largest 20 Firms	Largest 50 Firms	Largest 100 Firms	Total Volume of Grain Handled
	(percent)					(bushels)
1977-78	4.91	8.93	15.12	28.26		358,604,000
1978-79	5.28	9.01	14.96	28.53		456,234,000
1979-80	5.34	9.17	15.46	29.42	45.9	476,064,000
1980-81	6.17	10.73	17.89	31.52	47.8	401,085,000
1981-82	6.62	11.29	18.47	32.04	48.2	461,862,000
1982-83	9.70	15.01	23.17	38.51	55.3	491,671,000
1983-84	9.90	15.15	22.92	39.16	55.0	538,818,000
1984-85	9.30	14.10	21.50	37.40	54.7	511,855,000
1985-86	9.30	15.20	24.20	40.80	58.8	478,390,000

Source: North Dakota Public Service Commission.

Table 6. Rail Wheat Rates form Carrington, North Dakota to Minneapolis, St. Paul, Minnesota Transfer, Duluth and Superior, Minnesota, October 1985.

Consignment Size	Rail Rate in Cents per Hundredweight
Single Car	95
26 Car	85
52 Car	77

Table 7. Number of Subterminal Elevators Shipping 24-27 or 50-54 Car Trains, North Dakota, 1980-85.

Year	Number of Subterminal Elevators
1980	0
1981	52
1982	63
1983	71
1984	106
1985	86
1986	123

Source: North Dakota Public Service Commission.

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Table 8. Volume of Grain Shipped Inter-Elevator, North Dakota, Crop years 1983-84 and 1984-85.

Crop Marketing Year	Inter-elevator Shipments	Truckload Equivalents[a]
1983-84	31,929,339	39,912
1984-85	30,713,125	38,391
1985-86	16,569,960	20,712
1986-87	27,795,658	34,744

[a]Based on 800 bushels per truckload.

TESTIMONY OF MR. RAYMOND CROSS, ATTORNEY FOR THE THREE AFFILIATED TRIBES, BEFORE THE SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS ON AUGUST 11, 1987, AT THE SHERATON MOTOR INN IN MINOT, NORTH DAKOTA.

Chairman Burdick, and members of the Committee, my name is Raymond Cross and I am the attorney for the Three Affiliated Tribes. It is my pleasure to appear before your Committee and to present testimony regarding the transportation needs of the Three Affiliated Tribes on the Fort Berthold Reservation. The current transportation needs of the Tribes arise directly from the taking, in 1949, of over 156,000 acres of reservation trust lands, pursuant to Pub. L. 81-437, as the site for the Garrison Dam and Reservoir. This federal taking, and the consequent removal of the tribal people, fundamentally altered the geography, as well as the future, of the Fort Berthold Reservation. Before the advent of Garrison, the Three Affiliated Tribes lived in five tightly knit tribal communities centered around the Bureau of Indian Affairs agency that was located at Elbowoods. As you can see by the attached map, the tribal people then enjoyed easy access, as between their tribal communities, and the educational, social and welfare services that were available at Elbowoods.

More importantly, this fact of easy access contributed directly to making the Three Affiliated Tribes the only economically self-sufficient, agricultural Tribe among all of the Great Plains Tribes. The Missouri River Basin Investigations (MRBI) team emphasized in their reports the likely adverse impacts of the Garrison Dam on Fort Berthold. It recommended that the federal government assume the responsibilities for assuring that access, post Garrison, be restored

on the Fort Berthold Reservation. The MRBI team also recognized that the Reservoir would divide the Fort Berthold Reservation into five disparate and isolated segments. Those segments would be separated by a huge expanse of water known as Lake Sakakawea. The MRBI also recognized that, absent bridge and road access, future integrated economic and social development on the post-Garrison Reservation would be virtually impossible.

However, those recommendations have never been realized. The Fort Berthold Reservation today, in stark contrast to its pre-Garrison status, is subject to the same dismal unemployment, health, and social statistics that burden the other tribal reservations on the Great Plains. A federal commission, the Joint Tribal Advisory Committee (JTAC), recently assessed the impacts of the Garrison Dam on the Fort Berthold Reservation. That commission concluded, based on extensive hearings and expert testimony, that Three Affiliated Tribes had, like the State of North Dakota, sacrificed much of its economic base for the success of the national Pick-Sloan Program. That Commission's Final Report, issued on May 23, 1986, emphasized that the restoration of bridge, as well as ancillary road, access, is necessary before effective social and economic development can take place on Fort Berthold. Specifically, that Commission found that the Three Affiliated Tribes were entitled to a replacement bridge structure, at the old state Route 8 site, so as to ensure optimal access across the reservoir between the segments of the Reservation. The Three Affiliated Tribes urge this Committee to support that recommendation of the federal commission. Specifically, the Tribes request that Congress act to enforce this recommendation by:

(1) Directing the Secretary of the Interior to study, and make recommendations regarding, a bridge route across the Reservoir that will ensure maximum access as between the disparate segments; and

(2) Directing the Secretary of the Interior to study, and make recommendations regarding, the road access needs of the Fort Berthold Reservation that exist as a consequence of the Garrison Dam.

Additionally, the Tribes consider it the responsibility of the federal government to develop and maintain reasonable access roads to tribal rural homesites on the Reservation. The present roads policy of the Bureau of Indian Affairs excludes these important roads from their administration. The result of this policy is that many tribal families, including their children, are put at risk with respect to health care, fire and police protection and educational access during the winter months on the Reservation.

The Bureau of Indian Affairs Agency at Fort Berthold estimates that a small amount of money, some $800,000, would allow its Roads Department to construct and maintain reasonable access for the rural homesites on the Reservation. The Tribes urge this committee to request the Secretary to place tribal access roads within the Bureau of Indian Affairs' road jurisdiction on the Fort Berthold Reservation.

Further, the Three Affiliated Tribes wish to take this opportunity to join with North Dakota State Highway Department in requesting this Committee, to recommend the replacement, or rehabilitation of the Four Bears Bridge. This bridge, because of its narrow width, represents, not only a serious safety hazard to both

Indians and non-Indians alike, but a serious traffic bottleneck to future regional development of tourism and related purposes. The Tribes' first preference would be a replacement structure, estimated by the State Highway Department to cost $29 million, to replace the archaic and unsafe Four Bears Bridge. Alternatively, if it would be more cost effective---and it would address the safety and related future access needs---Tribes wishes the bridge to be widened from its present 20 foot width to a 32 foot width. The State Highway Department estimates that it would cost $11 million to accomplish the widening and rehabilitation of the existing structure.

Mr. Chairman, this concludes my testimony and I would be happy to respond to any questions you or the members of the Committee may have.

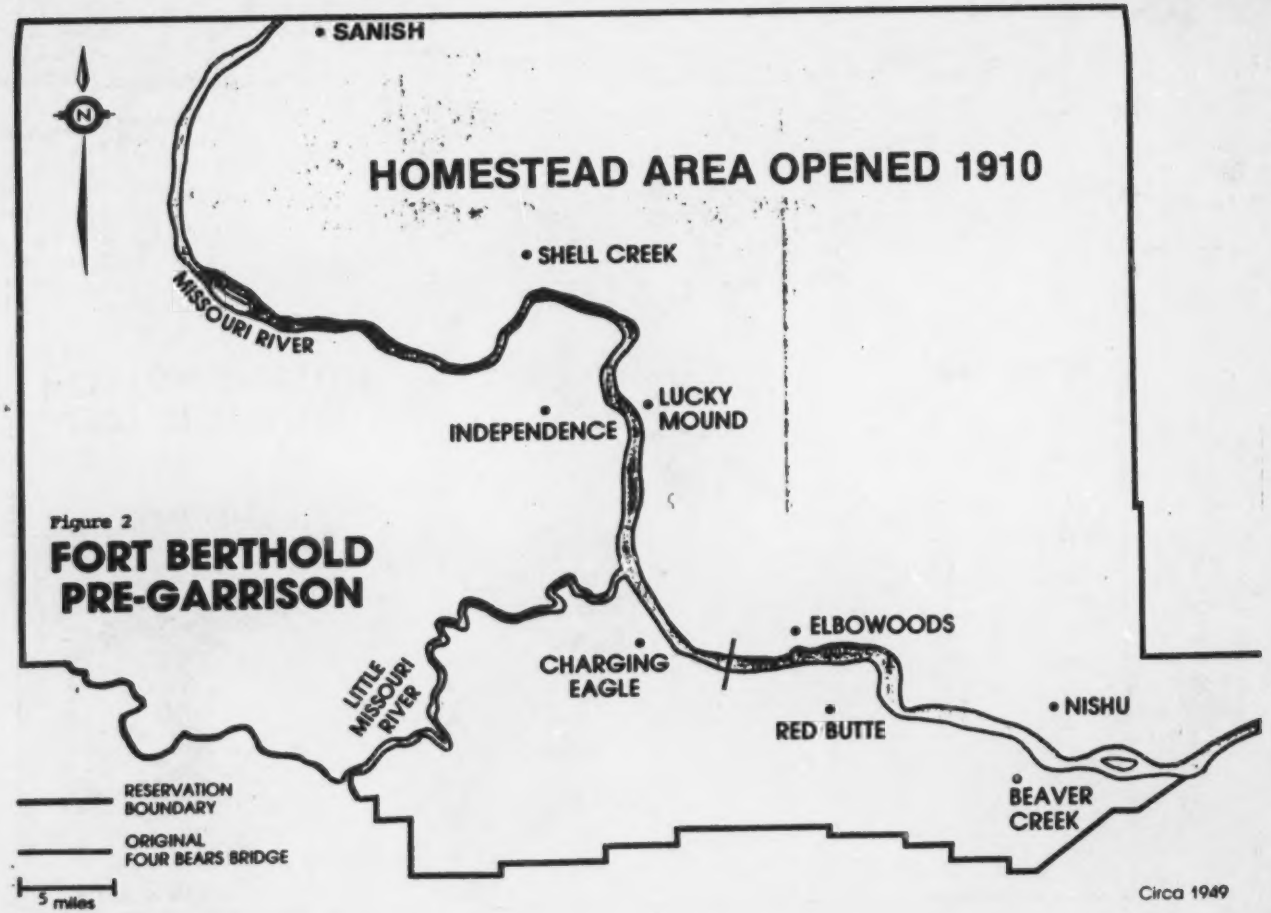

Figure 2

FORT BERTHOLD PRE-GARRISON

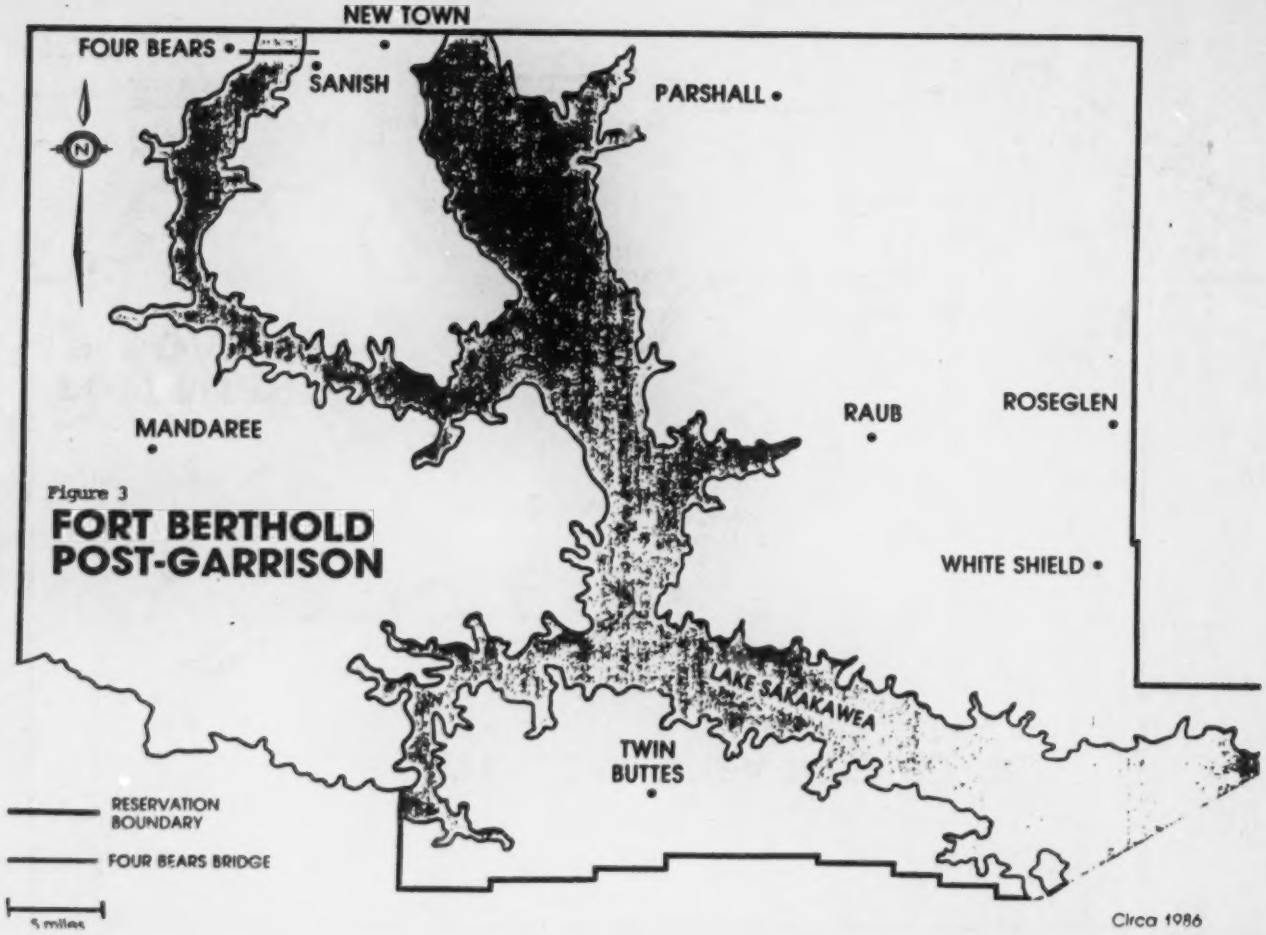

Figure 3

FORT BERTHOLD POST-GARRISON

TESTIMONY OF

MARLENE EIDE
WILLIAMS COUNTY COMMISSIONER

BEFORE

SENATE ENVIRONMENT AND
PUBLIC WORKS COMMITTEE

MINOT, NORTH DAKOTA

August 11, 1987

TESTIMONY OF

MARLENE EIDE
WILLIAMS COUNTY, NORTH DAKOTA

Mr. Chairman, members of the Committee,

I, too, would like to thank you for the opportunity to appear before you and discuss the problems we are facing in Williams County. Though I am talking specifically about Williams County because that is what I am most familiary with, I am also referring to all of western North Dakota. All of western North Dakota is very similar in geography, in population density and economically.

Williams County is in the northwest corner of the State, our northern border is about 20 miles from Canada, our western boundry is the Montana State line and our southern boundry is the Missouri River. The county encompasses 2,162 square miles, with a population of 25,864 at the last census, roughly one-half of whom live in City of Williston and about another one-fourth of the population lives in the two townships around Williston. As you can see, we are sparsely settled. We have some good farm land, though much of it is rocky, the soil is thin, about 6 inches of top soil, which contrasts sharply with the thick rich soil of the Red River Valley in eastern North Dakota. The sothern part of my county is badlands which are ruggedly beautiful but can only be used for grazing. Our economy is agricultural, with energy product running second and tourism third.

Williams County is proud of being the boyhood home of Senator Quentin Burdick. My uncle was telling me last night of one unforgettable summer years ago when he helped Quentin herd sheep for his father, who also raised prize Hereford cattle and beautiful horses.

Williams County has 805 miles of county road, of which 679 are gravel, 83 miles are good pavement and 43 miles of pavement which needs overlay. (Exhibit "A") The county also maintains 850 miles of township roads, for which we bill the townships a nominal amount. In 1970, when paving a road cost about $30,000 per mile, Williams County voters passed a Special 10 Mill Levy to

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Note. The appendices attached to this statement have been retained in committee files.

pave 36 miles of farm-to-market roads. Nearly twenty years later we still have three of the ten projects to complete, paving costs are now from $50,000 to $60,000 per mile. Furthermore the first roads completed now need overlay. During the early 1980's it cost $75,000 or more per mile to pave. It's nice to have the cost of paving come down, unfortunately, however, our ability to raise the necessary funds to pave has decreased even more dramatically.

McKenzie County, just across the river from us, is larger in goegraphic area than us, but has a population of about 7,500. They have 1,400 miles of county road, about 100 of these miles are paved. McKenzie County has now passed Williams County in oil and gas production, their share of the production tax is keeping their roads passable. The approximately $200,000 generated by real estate tax in their county would barely keep gravel on the roads. Recently that commission faced a difficult decision with a bad road which provides access for two family farms. The road passes through a coulee about 125 feet deep with a creek running through. Engineers estimated over a quarter of a million dollars to repair the road and put in a bridge. The county did not have the money so they decided to install a metal culvert in the coulee and leave the road alone, so they have two unhappy farmers driving on a very steep, very crooked road.

The Hon. Kaye Braaten, Commissioner from Richland County, is very eloquently presenting the difficulties facing the agricultura community and the impact deterioting roads and bridges have on the agricultural economy. I would like to address the problems faced in an energy producing area, but first I would like to make a couple of comments.

In the era before the unit-trains, grain was hauled in smaller farm trucks to local elevators, then moved in single boxcars by rail. Currently grain is transported into Williston from Watford City in McKenzie County and from areas in south-central and southwestern Williams County. One elevator in Williston averages one semi truck per day, loaded with 1100 bushels of grain, to the unit-train facility. The elevator at Zahl in northwestern Williams County

often has 15 or more trucks hauling even on weekends. This puts a great deal more stress, both in weight of the vehicles and the number of road miles traveled, on the local road system

The closing of any branch lines would have a severe negative impact on our county roads with no off-setting revenues to help with the road maintance.

Williams County and western North Dakota were very fortunate to be the center of a rapidly expanding oil and gas development area for several years. Unfortunately this also brought the problems associated with the oil industry. Oil production does bring many negative impacts, one of the major impacts is the damage to the local road network. The influx of heavy vehicles and of the associated volume of lighter vehciles has caused rapid deterioration of our roads and bridges. There are basically four phase of oil and gas exploration and development: (1) exploration; (2) development; (3) production; and (4) abandonment. (See Appendix A)

The initial seismic survey, which usually employs a crew of twenty to thrity men, involving seven to ten trucks, often occurs in areas where there are no graded roads, in which case they travel cross country, often destroying crops and habitat. Then an exploratory well is drilled which may become a discovery well. During this phase some type of road must be built, drilling rigs, water trucks, mud trucks and service related trucks are all traveling to the area. Additionally the drilling crews travel back and forth.

During production, truck traffic continues for the majority of the well life. Sometimes major repairs or redrilling will cause traffic volumes to increase. The trucking of oil and gas from the well generates one of the most consistent flows of oil field traffic. The volume of traffic generated in this phase may not be as large as that generated in previous phases, but over a period of years this phase of oil field traffic may account for the greatest long term traffic generation. When the well is abandoned, the equipment is removed and the site abandoned.

Many factors cause the damage to local roads, heavy or over-

loaded trucks; increased traffic volumes; vehicles traveling at excessive speeds; and moving equipment during rainy weather or the spring thaw when roadbeds are soft.

There are two types of damage to the local road system in oil impacted areas, short term or long term damage. Short term damage generally occurs when there is a large influx of heavy truck traffic over a short period of time, or when traffic moves during heavy rains or spring thaw. This type of damage shows up immediately and must be repaired as soon as possible or the road will be ruined.

The second form of damage is the long term damage that takes place over a period of years, and may not be noticeable for some time. This damage occurs from a large number of heavy vehicles using the road for a long period of time causing rutting, dips, a hard compacted roadway, loss of gravel and broken pavement. Some years ago, County Road 1 in western Williams County was demolished in a twenty four hour period during a heavy rain when a large number of trucks used the road. Gravel was pushed off to the side of the road, ruts were formed from eight to fourteen inches deep, traffic drove in a farmers field to get around one impassable spot. The nature of the oil business required they work 24 hours per day 365 days per year. Regardless of the time or condition of the road, this traffic must gain access to the site.

Though exploration has decreased, we are still facing the impacts of production. Williams County has nearly 600 producing wells. (Exhibit "B") Roads that were once bladed every month or so are now graded weekly or more frequently. We hire additional personnel to deal with oil impacted roads and we buy additional equipment. If a dry well is drilled, there is no production tax to off-set the cost to the county.

With declining revenues, Williams County and western North Dakota still have the roads to maintain in the oil producing area. Two years ago in an area in southwestern Williams County, near Trenton, eleven oil wells were shut down for a period of 30 to 45

days as the roads were impassable for trucks to get in and haul out the crude oil. The oil companies met the Williams County Commissioners in an effort to get the wells back into production. The shut down was costing the oil companies a substianial amount of money as well as the lost production tax for the State, County and the School District. The County diverted some other funds, the oil companies contributed funds, the road was finally put back into service.

Williams County has six roads designated as Federal Aid Secondary Routes. They are identified as county roads #5, #10, #42, #17, #6 and #21 (part)on Exhibit "A". In 1987 we received $140,000 for our FAS projects.

As a member of the Executive Board of the Association of Oil & Gas Producing Counties, I have testified extensively at the State Legislature about the need for funding for the Energy Impact Office. Williams County has received a number of grants for oil impacted roads in the past. Funding for this office has been drastically cut.

In 1985 there was a county vote to increase the levy for road and bridges to pave a number of county roads. The was resoundingly defeated by the voters. The Commissioners certainly understood the voter viewpoint. We are in a very depressed economy, there are no jobs, homes are being foreclosed in record numbers, businesses are failing and the filing of bankruptcy is common. The down-turn in oil production coupled with the distressed farm economy concerned the voters who were having trouble trying to pay their taxes as the current level.

Williams County taxable valuation in 1982 was $37,282,566; in 1986 it is $32,794,705, a decrease of nearly four and a half million in four years. (Exhibit "D") Statutorily, counties in North Dakota can levy 23 mills, plus the percentage increase allowed by the 1987 legislature. The 23 mills provides money for the General Fund, Road and Bridge Fund, and County Poor. There was something of a loophole in the law which allowed the unlimited levy for emergency poor, which we did. We then diverted most of the 23 mills to

the Road and Bridge Fund with the balance going to the General Fund. I understand we will no longer be able to do this, which means another cut in the funds available for Road and Bridge. (Exhibit "F")

There are 200 bridges in Williams County, the ones on the county roads are in fair to good condition, however the bridges on the township roads are in very bad condition. The bridge pictured on Exhibit "C" happens to be on a county road on the west edge of Williston. This road is a frontage road which provides access to several oil field service companies, a cement plant and the cattle auction barn. We have no money to replace this bridge. I am sure the businessess served by the frontage road would complain bitterly if we closed the road causing traffic to drive a mile or two further.

We have replaced a number of bridges in the county with what we call "Texas crossings". This is a low water crossing, a small culvert put in at the same elevation as ground level and covered with rock and concrete. The "Texas crossing" costs about $8,000 in comparison to $50,000 to $60,000 for a bridge.

The needs in counties such as Williams County are critical. With the loss of Federal Revenue Sharing and with the uncertainity of receiving the monies in the Highway Trust Fund, we are facing the closing of roads or decreasing maintance. Inadequate maintance opens the vistas for all types of lawsuits. We have had the State Health Department declare roads as Health hazards due to the dust generated by heavy traffic, we have no money to pave these roads. We have roads so bad that the sheriff has sent deputies out to chase the motorists, who were driving in the ditches as they were in better condition, back up on the roads. Our roads need rebuilding, they need gravel and we get further behind each year. As our local system deterioates, the impact of poor or inadequante transportation down-grades the economy. It is a vicious circle of no money, no adequate transportation, poorer economic conditions, even less money.

Each year as we prepare our county budget, we are faced with an increasing number of federal and state mandates in all areas, especially law enforcement and social welfare. As these mandates are funded, there will be decreasing monies available for roads and bridges.

We hope that the Congress will carefully consider adding any additional user fee or gas tax for any purpose other than transportation. We have no other source to fund our road and bridge projects, except the over-burdened property tax. It seems the post-interestate era should also find some local relief through the reallocation of interstate funds to badly needed local projects.

Thank you for your consideration.

STATEMENT OF MARTIN F. FITZPATRICK, ADMINISTRATOR
OFFICE OF TRANSPORTATION
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE
MINOT, NORTH DAKOTA
AUGUST 11, 1987

GOOD AFTERNOON, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. I APPRECIATE THE OPPORTUNITY TO PRESENT TO THIS COMMITTEE THE RESULTS OF A STUDY RECENTLY COMPLETED BY MY OFFICE, AND TO DISCUSS BRIEFLY THE WORK OF THE OFFICE OF TRANSPORTATION AS IT RELATES TO THE PURPOSES OF THIS HEARING.

STUDY ON RURAL HIGHWAY FINANCE

OT RECENTLY SUBMITTED TO CONGRESS A REPORT ENTITLED RURAL HIGHWAY FINANCE: THE HIGHWAY TRUST FUND AND ALTERNATIVE OPTIONS. THIS REPORT WAS IN RESPONSE TO A REQUEST FROM THE SENATE COMMITTEE ON APPROPRIATIONS IN SENATE REPORT 99-438. I WILL HIGHLIGHT IT BRIEFLY AND SUBMIT THE REPORT FOR THE RECORD. IT HAS BEEN REVIEWED BY YOUR STAFF; AND IF THERE ARE QUESTIONS CONCERNING THE REPORT, OR BACKGROUND INFORMATION WHICH MAY BE AVAILABLE BUT NOT IN THE REPORT, I WILL FOLLOW-UP FOR THE RECORD ANY ANSWERS I CAN NOT SUPPLY TODAY.

THE STUDY WAS UNDERTAKEN "...TO ILLUSTRATE THE CORRELATION BETWEEN CONTRIBUTIONS OF NONMETROPOLITAN JURISDICTIONS THROUGH FEDERAL TAXES ON GASOLINE, AND THE AMOUNT OF MONEY FLOWING BACK TO THESE JURISDICTIONS FOR CONSTRUCTION AND MAINTENANCE OF THEIR ROADS AND BRIDGES..." AND TO PROVIDE INFORMATION ON THE AMOUNT OF ROAD AND STREET MILEAGE UNDER THE JURISDICTION OF SMALL COMMUNITIES AND FUNDING ALTERNATIVES AVAILABLE TO THEM FOR MAINTENANCE OF THEIR ROADS, STREETS AND BRIDGES. WE ADOPTED THE FEDERAL HIGHWAY ADMINISTRATION'S DEFINITION OF "RURAL" AS BEING A COMMUNITY OF LESS

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THAN 5,000 PEOPLE (URBAN, THEREFORE, BEING 5,000 AND UP) BECAUSE THIS IS THE ONLY POPULATION BASIS ON WHICH HIGHWAY TRUST FUND DATA ARE AVAILABLE FROM FHWA. SINCE THERE IS NO COMPREHENSIVE FEDERAL SOURCE FOR INFORMATION ON THE MILEAGE UNDER LOCAL CONTROL, A CASE STUDY OF FOUR STATES WAS USED TO DISCUSS VARYING GOVERNMENTAL STRUCTURES AND RESPONSIBILITIES, TO PRESENT INFORMATION ON CURRENT CONDITIONS, AND TO IDENTIFY OTHER REVENUE SOURCES AND OPTIONS AVAILABLE TO LOCAL RURAL GOVERNMENTS.

MORE THAN 80 PERCENT OF THE NATIONAL ROAD SYSTEM IS IN RURAL AREAS. THE RESPONSIBILITIES ARE SHARED BY THE FEDERAL AND STATE GOVERNMENTS, AND A MULTITUDE OF LOCAL GOVERNMENTAL UNITS. A MAJORITY OF THE LOCALLY CONTROLLED ROADS AND BRIDGES ARE AND WILL CONTINUE TO BE MAINTAINED BY A COMBINATION OF STATE PROGRAMS AND LOCAL REVENUE SOURCES.

IN THE FOUR CASE-STUDY STATES, APPROXIMATELY 30 PERCENT OF THE TOWNSHIP MILEAGE AND MORE THAN 40 PERCENT OF THE COUNTY MILEAGE IS REGARDED BY LOCAL OFFICIALS AS INADEQUATE OR BARELY ADEQUATE ACCORDING TO SURVEY RESULTS. MORE THAN ONE-THIRD OF THE TOWNSHIP BRIDGES AND NEARLY ONE-THIRD OF COUNTY BRIDGES ARE REGARDED AS MINIMALLY SERVICEABLE OR WORSE. IN THE VIEW OF LOCAL OFFICIALS, THE COST OF RESTORING LOCAL ROADS AND BRIDGES TO ACCEPTABLE STANDARDS FAR EXCEEDS AVAILABLE RESOURCES.

FINANCING IS CLEARLY THE PRIMARY ISSUE FACING ALL LEVELS OF GOVERNMENT. BETWEEN 1977 AND 1985 COUNTIES, TOWNS AND TOWNSHIPS DID NOT EXPERIENCE REAL GROWTH IN EXPENDITURES FOR HIGHWAYS. HIGHWAY SPENDING BY COUNTIES, TOWNS AND TOWNSHIPS DURING THIS PERIOD DECLINED AS A PERCENTAGE OF TOTAL SPENDING BY THESE GOVERNMENTS.

LOCAL GOVERNMENTS RECEIVE FUNDING FROM THE FEDERAL-AID HIGHWAY PROGRAMS THROUGH A VARIETY OF STATE MECHANISMS. A WIDE DISPARITY EXISTS AMONG THE STATES IN TERMS OF THEIR ORGANIZATION, METHODS OF DISTRIBUTION, TYPES OF PROJECTS FUNDED, AND CLASSIFICATION OF ROADS AND BRIDGES. IN THE LARGE MAJORITY OF STATES ALL FEDERAL-AID PRIMARY FUNDS REMAIN UNDER CONTROL OF THE STATE GOVERNMENT, WHILE THE MAJORITY OF FEDERAL-AID SECONDARY FUNDS ARE DISTRIBUTED TO LOCAL GOVERNMENTS.

THERE DEFINITELY IS A RURAL ROAD AND BRIDGE PROBLEM, BUT NOT ONE NECESSARILY ATTRIBUTABLE TO THE FEDERAL-AID HIGHWAY PROGRAM. NATIONALLY, RURAL RESIDENTS RECEIVE IN HIGHWAY TRUST FUND SPENDING AS MUCH AS AS THEY CONTRIBUTE IN HIGHWAY TRUST FUND TAXES. THEY CONTRIBUTE MORE PER CAPITA TO THE HIGHWAY TRUST FUND THAN DO URBAN RESIDENTS AND RECEIVE GREATER SPENDING IN RETURN. THE AVERAGE RURAL RESIDENT PAYS $9.16 MORE IN TRUST FUND TAXES IN A YEAR THAN THE AVERAGE URBAN RESIDENT BUT ALSO RECEIVES $19.08 MORE IN TRUST FUND SPENDING. THE RURAL RESIDENT RECEIVES $1.08 IN RETURN FOR EVERY $1.00 IN TAXES ATTRIBUTED TO RURAL AREAS, WHEREAS THE URBAN RESIDENT GETS BACK 89 CENTS FOR EVERY $1.00 IN TAX. DESPITE THIS APPARENT, MODEST ADVANTAGE, WITH ONLY 20 PERCENT OF THE RURAL ROAD MILEAGE ELIGIBLE FOR FEDERAL HIGHWAY FUNDING, SOLUTIONS TO RURAL HIGHWAY PROBLEMS WILL NECESSITATE GREATER STATE AND LOCAL GOVERNMENTAL INVOLVEMENT.

THE FAIRNESS QUESTION, HOWEVER, CANNOT BE ANSWERED SIMPLY BY COMPARING TAXES AND SPENDING OVER A RELATIVELY SHORT PERIOD OF TIME. FIRST, THE BENEFITS OF THE PROGRAMS ARE COMPLEX AND ARE NOT NECESSARILY PROPORTIONAL TO THE LEVEL OF SPENDING FOR EITHER SEGMENT OF THE POPULATION, RURAL OR URBAN. SECOND, THESE COMPARISONS DO NOT CONSIDER THE GREATER NUMBER OF MILES OF ROAD PER CAPITA IN RURAL AREAS, EXISTING ROAD CONDITIONS NOR THE LEVEL OF UNSATISFIED NEED,

WHICH TRANSLATE INTO QUALITY OF SERVICE FOR AREA RESIDENTS. THIRD, THEY DO NOT CONSIDER THE REVENUE-GENERATING CAPABILITY OF LOCAL GOVERNMENTS. AND FINALLY, SUCH COMPARISONS DO NOT CONSIDER THE DEGREE TO WHICH RURAL AND URBAN AREAS DERIVE DIFFERING LOCAL BENEFITS FROM THE FEDERAL-AID PROGRAMS, PARTICULARLY THE INTERSTATE PROGRAM.

OTHER RELATED EFFORTS

A FEW YEARS AGO THE OFFICE OF TRANSPORTATION BEGAN A PROGRAM CALLED ACCESS RURAL AMERICA. IT IS RAPIDLY BECOMING A PRINCIPAL THRUST OF THE WORK OF THE AGENCY. IT IS DESIGNED TO CUT ACROSS TRADITIONAL INDUSTRY AND MODAL LINES AND FOCUS ON THE RURAL COMMUNITY AS THE RELEVANT BENEFICIARY OF FEDERAL PROGRAMS AND THE PRINCIPAL GOVERNMENTAL PROVIDER OF NEEDED TRANSPORTATION SUPPORT SERVICES AND FACILITIES. ACCESS RURAL AMERICA RECOGNIZES THAT DIRECT FEDERAL INVOLVEMENT IN MANY TRANSPORTATION ISSUES, PARTICULARLY WITH THE ADVENT OF ECONOMIC DEREGULATION, HAS LESSENED. WE ARE TRYING TO WORK WITH STATE AND LOCAL GOVERNMENTS ON A COOPERATIVE PARTNERSHIP BASIS, NOT AS EITHER REGULATOR OR TREASURER. THIS FEDERAL ROLE IS IN KEEPING WITH USDA TRADITION.

ONE OF OUR FIRST MAJOR EFFORTS IN THE ACCESS RURAL AMERICA PROGRAM WAS IN WORKING WITH THE PENNSYLVANIA DEPARTMENTS OF TRANSPORTATION AND AGRICULTURE AS WELL AS OTHER PA STATE AND LOCAL AGENCIES AND ORGANIZATIONS. THE WORK FOCUSED ON IDENTIFYING THE NETWORK OF ROADS CONSIDERED MOST IMPORTANT TO THE STATE'S AGRICULTURE AND FOREST INDUSTRIES SO THAT IMPROVEMENTS WOULD BE MADE WHICH DIRECTLY BENEFIT THOSE INDUSTRIES. A TWO-COUNTY PILOT STUDY WAS COMPLETED AND FOLLOWED UP BY A STATEWIDE STUDY THAT IDENTIFIED AN AGRICULTURAL ACCESS (AGRI-ACCESS) NETWORK OF ROADS FROM WHICH TO PLAN AND

SCHEDULE IMPROVEMENTS. THE PA STATE EXTENSION SERVICE PLAYED A CRITICAL ROLE IN HELPING THE STATE OFFICIALS OBTAIN INFORMATION FROM FARMERS AND LOCAL BUSINESSES REGARDING THE NETWORK AND CONDITION OF ROADS USED TO TRANSPORT SUPPLIES AND PRODUCTS. THE U.S. DEPARTMENT OF TRANSPORTATION SUBSEQUENTLY PRODUCED A VIDEOTAPE OF THE PROJECT FOR USE BY OTHER STATE AND LOCAL OFFICIALS CONCERNED WITH PLANNING RURAL ROAD AND BRIDGE IMPROVEMENTS.

OT ALSO HAS BEEN WORKING WITH AGRICULTURE AND TRANSPORTATION OFFICIALS IN OTHER STATES, SUCH AS NEW YORK AND VIRGINIA, ON SIMILAR EFFORTS TO IDENTIFY THE IMPORTANT ROADS SERVING AGRICULTURE, THE IMPEDIMENTS TO MOVEMENT, AND POSSIBLE SOLUTIONS TO PROBLEMS.

WE ARE MUCH INVOLVED WITH STATE AND OTHER FEDERAL AGENCIES, INCLUDING USDA'S FOREST SERVICE AND THE FEDERAL HIGHWAY ADMINSTRATION, AND PRIVATE ORGANIZATIONS IN A LONG-TERM RESEARCH, DEVELOPMENT, AND DEMONSTRATION EFFORT TO EXPLORE THE CONDITIONS UNDER WHICH TIMBER BRIDGES CONSTITUTE A PRACTICAL, ECONOMICAL AND COST-EFFECTIVE ALTERNATIVE FOR REPLACING WORN OUT CONCRETE AND STEEL BRIDGES ON THE RURAL SYSTEM. THIS EFFORT HAS INCLUDED WORKSHOPS IN PENNSYLVANIA AND ONE THIS WEEK IN COLORADO AND CONSTRUCTION OF DEMONSTRATION BRIDGES WHERE STRESS AND PERFORMANCE MEASURES WILL BE CLOSELY MONITORED.

OT IS ALSO CONCERNED ABOUT THE LOSS OF RURAL BUS SERVICE. INTERCITY BUS SERVICE IS THE LIFEBLOOD FOR SOME RURAL COMMUNITIES--LITERALLY THE LIFEBLOOD FOR SOME RURAL MEDICAL FACILITIES, WHICH DEPEND UPON BUS SERVICE FOR DELIVERY OF BLOOD AND OTHER MEDICAL SUPPLIES. WITH INCREASING CUTBACKS IN BUS SERVICE, SOME RURAL RESIDENTS ARE FACED WITH THE PROSPECT OF SEVERE ISOLATION. RECENTLY WE HAVE BEEN WORKING WITH BUS SERVICE PROVIDERS AND STATE AND LOCAL OFFICIALS IN NEBRASKA FACED WITH LOSS OF A MAJOR CARRIER

SERVING MUCH OF THE RURAL AREA OF THE STATE IN AN EFFORT TO FIND SOLUTIONS TO A DIFFICULT PROBLEM. WE ARE CURRENTLY PARTICIPATING ALONG WITH OTHER GOVERNMENTAL AND PRIVATE ORGANIZATIONS IN PLANNING A CONFERENCE ON RURAL BUS SERVICE.

LAST BUT NOT LEAST, OT HAS OFFERED ASSISTANCE TO STATE AND LOCAL AGENCIES CONFRONTED WITH THE PROSPECTIVE LOSS OF LOCAL RAIL SERVICE DUE TO BRANCH LINE ABANDONMENT. IN INSTANCES WHERE SHIPPERS DO NOT HAVE READY TRANSPORTATION ALTERNATIVES, THIS LOSS CAN BE DISRUPTIVE TO THE LOCAL ECONOMY. IT CAN ALSO IMPOSE AN INCREASED BURDEN ON THE LOCAL ROAD NETWORK, EITHER SUDDENLY OR MORE OFTEN GRADUALLY AS TRAFFIC IS DIVERTED FROM RAIL TO TRUCK. IN AT LEAST ONE INSTANCE RECENTLY IN WHICH OT WAS INVOLVED, THE RAIL LINE WAS SAVED THROUGH PURCHASE BY A REGIONAL DEVELOPMENT ORGANIZATION; AND IT APPEARS TODAY TO HAVE A BRIGHT FUTURE.

CLOSING

THANK YOU, MR. CHAIRMAN, FOR YOUR INTEREST IN THE TOPIC OF TODAY'S HEARING AND IN THE WORK OF THE OFFICE OF TRANSPORTATION. IN CLOSING, I THINK IT'S INTERESTING TO CONSIDER FOR A MOMENT TODAY'S RURAL ROAD AND BRIDGE PROBLEMS IN THE PERSPECTIVE OF HISTORY, AND TO REALIZE THAT THE FIRST FEDERAL INVOLVEMENT IN THE NATION'S HIGHWAYS BEGAN IN THE EARLY YEARS OF THIS CENTURY IN THE DEPARTMENT OF AGRICULTURE. AT ITS INCEPTION THE BUREAU OF PUBLIC ROADS WAS PLACED IN USDA BECAUSE THE PRIMARY CONCERN WAS FARM-TO-MARKET ACCESS. AS WE ENTER THE POST-INTERSTATE ERA IN HIGHWAY PROGRAMMING, ALL LEVELS OF GOVERNMENT MUST WORK TOGETHER TO ENSURE THAT ADEQUATE ATTENTION IS

PAID TO LOCAL AS WELL AS NATIONAL NEEDS SO THAT THE SAME PROBLEMS THAT GAVE RISE TO THE FEDERAL-AID HIGHWAY PROGRAM IN THE BEGINNING WILL NOT BE REPEATED.

Transportation Facts

United States
Department of
Agriculture
**Office of
Transportation**

August 1987

RURAL HIGHWAY FINANCE: The Highway Trust Fund and Alternative Options

Excerpts from a Report to the
Committee on Appropriations
United States Senate

This summary is excerpted from a report prepared in response to a Congressional request to provide information on the amount of road and street mileage under the jurisdiction of small communities and to provide data to illustrate the correlation between contributions of nonmetropolitan jurisdictions through Federal taxes and the amount of money flowing back to these jurisdictions for construction and maintenance of their roads and bridges. The intent in the report is to document rural highway problems, outline issues, and present analytical data comparing Federal highway taxes and Federal highway spending for rural and urban areas. There are no policy recommendations concerning the Federal-aid highway program.

The entire report is available in two volumes from the National Technical Information Service, U.S. Department of Commerce, 5285 Port Royal Road, Springfield, VA 22161, Phone (703) 487-4650. Vol. 1 is the report narrative; Vol. 2 is a county data supplement. The following report numbers should be used in requesting reports: Vol. 1, PB 87-216040; Vol. 2, PB 87-216057.

Further information can be obtained from USDA's Office of Transportation, Room 1405 Auditors Bldg, Washington, DC 20250 (phone (202) 653-6060).

EXECUTIVE SUMMARY

The Federal-aid highway program includes an interstate program, a primary program, a secondary program, an urban program, and funding for other programs including bridges as provided for in Title 23, United States Code, and other statutes administered by the U.S. Department of Transportation, Federal Highway Administration. The highway mileage included in the various programs within each State is determined by each State in accordance with Federal criteria and subject to Federal approval. Federal highway funding is provided primarily through the Highway Trust Fund (HTF). The HTF is comprised of receipts from certain highway user taxes, e.g., excise taxes on motor fuel, rubber, and heavy vehicles, and reserved for use for highway construction and related purposes.

Since there is no comprehensive Federal source for information on the mileage under local control, a case study approach was used to discuss varying governmental structures and responsibilities, to present information on current conditions, and to identify other revenue sources and options available to local rural governments. Nationwide, comparisons at the county level of estimated HTF tax burden and HTF obligations were developed using national data from the Departments of Commerce and Transportation for communities of less than 5,000 population and for 5,000 or more. Comparisons also are presented at the State level and by groups of counties categorized by degree of urbanization and by type of economic activity.

The case study findings indicate there is a rural road and bridge problem. It transcends political boundaries and governmental responsibilities. The responsibilities are shared by the Federal and State governments, and a multitude of local governmental units. Financing is clearly the primary issue facing all levels of government. There is significant need for improvements at the local level. A majority of the locally controlled roads and bridges are and will continue to be maintained by a combination of state programs and local revenue sources.

Nationally, HTF obligations essentially equal taxes collected. The average rural resident, however, receives $1.08 in return for every $1.00 in HTF taxes attributed to rural areas; whereas the urban resident gets back 89 cents for every $1.00 in tax. But with only 20 percent of the rural road mileage eligible for Federal highway funding, solutions to rural highway problems will necessitate greater State and local governmental involvement.

Implicit in the comparison of HTF taxes and expenditures for rural and urban populations is the question of whether or not each segment of the population is receiving its "fair share" of the benefits of the programs. This question, however, cannot be answered directly by reference to this kind of comparison because the benefits of the programs are complex and are not necessarily proportional to the level of spending for either segment. The equity question includes other issues such as quality and use of the road system, revenue-generating capability of local governments, associated development and demands for services, and other factors not included in such comparisons. Important among these factors is the degree to which rural and urban areas derive differing local benefits over time from the Federal-aid programs, particularly the Interstate program; but examination of differential benefits and other equity issues is beyond the scope of this study.

General Findings and Case-Study Results

More than 80 percent of the national road system is in rural areas; of this rural mileage, 69 percent is the responsibility of local governmental units. Counties, towns and townships are collectively responsible for the majority of the rural mileage. In the four case-study States of Illinois, Minnesota, Ohio, and Wisconsin, two-thirds of the rural mileage is the responsibility of township officials; one-third, county officials.

Between 1977 and 1985 counties, towns and townships did not experience real growth in expenditures for highways. Highway spending by counties, towns and townships during this period declined as a percentage of total spending by these governments.

Local governments receive funding from the Federal-aid highway programs through a variety of State mechanisms. A wide disparity exists among the States in terms of their organization, methods of distribution, types of projects funded, and classification of roads and bridges. In the large majority of States all Federal-aid primary funds remain under control of the State government, while the majority of Federal-aid Secondary funds are distributed to local governments.

Economic and technological change have significantly altered the demands placed upon the rural road network. Many of the rural roads and bridges were built in the late 1800's and early 1900's when traffic volumes and vehicle loads were smaller than today. In the farm sector, increased farm size, mechanization, and productivity have resulted in the use of larger, heavier trucks and farm implements. And as rail lines are abandoned, the use of

heavy trucks in rural areas can be expected to increase.

In the four case-study States, approximately 30 percent of the township mileage and more than 40 percent of the county mileage is regarded by local officials as inadequate or barely adequate according to survey results. More than one-third of the township bridges and nearly one-third of county bridges are regarded as minimally serviceable or worse.

In the view of local officials, the cost of restoring local roads and bridges to acceptable standards far exceeds available resources. In the four States alone, needed township road and bridge improvements total $2.5 billion and county improvements total $10.5 billion. The estimated cost of improving only the bridges totals more than $800 million for the townships and $2.9 billion for the counties.

Funding sources available to local officials depend upon State governmental structures and laws. They include property taxes, user fees, direct Federal or State grants, and local participation in State revenue-sharing programs, particularly State motor fuel taxes. Wide differences exist regarding the intrastate distribution of Federal highway funds, but a number of States do provide supplemental or complementary programs for local governments to use in financing road and bridge improvements. In addition, participation by local officials in State decision-making about the allocation of funds varies widely by State. Other options available to local officials to help close the gap between needed and available revenues include cost reductions through changed technology, improved management and sharing of resources among local governmental units, and reductions in service levels.

Comparison of Highway Trust Fund Obligations and Tax Burden For Rural and Urban Populations

Nationally, rural residents contribute more per capita to the Highway Trust Fund (HTF) than do urban residents and receive greater HTF spending in return. The average rural resident pays $9.16 more in HTF taxes in a year than the average urban resident but also receives $19.08 more in HTF obligations. In rural areas obligations exceed rural tax burden by 8 percent, e.g., the ratio of obligations to tax burden is 1.08. The similar ratio for urban areas is 0.89, indicating that urban obligations fall short of urban tax burden by 11 percent.

Also, on a state-by-state basis it is almost universally true that rural residents tend to contribute more in HTF taxes on a per capita basis than do urban residents. Of the 50 States plus the District of Columbia (DC), only two besides DC, which has no rural population, show marginally higher urban than rural tax burden. The range of per capita tax burdens for the rural and urban areas are similar with Wyoming having both the highest rural and the highest urban per capita tax burdens.

Two-thirds of the States show a ratio of obligations to tax burden for rural areas higher than that for urban areas, while one-third show higher urban ratios. Rural ratios range from a low of 0.27 in New Jersey to 6.56 for Alaska. Urban ratios range from 0.11 in New Mexico to 3.62 for the District of Columbia.

A clear pattern is evident in comparing categories of counties by degree of urbanization. On the whole, metropolitan counties contibute more to the HTF than they receive, while nonmetropolitan counties receive more than they contribute. But within each

group there appears a bias favoring the predominant characteristic of the population. In the most urbanized counties, more is spent on urban projects than is collected from urban residents. In areas categorized as more rural in character, spending exhibits a rural bias. The rural tax per capita, however, is higher than the urban tax per capita in a fairly consistent way.

In comparing counties by characteristic economic activity, only two categories, manufacturing and Federal lands, show ratios of obligations to tax burden greater than 1.0 for urban populations; and only manufacturing exhibits a higher ratio for urban than for rural populations. Manufacturing is by far the largest category, and represents approximately one-third of the country--31 percent of the population, 32 percent of total obligations, 35 percent of the tax burden, and 36 percent of the income. Manufacturing is also the only category with a ratio of less than 1.0 for rural populations. The three categories which are the most decidedly rural are agriculture, mining, and poverty and each have ratios of obligations to tax burden which are significantly higher for rural than urban populations. Here, too, is evident the tendency for HTF spending to favor the predominant characteristic of the population.

TESTIMONY FOR THE
SENATE ENVIRONMENT AND PUBLIC WORKS COMMITTEE
CHAIRMAN SENATOR QUENTIN BURDICK
AUGUST 11, 1987
MINOT, NORTH DAKOTA

Mr. Chairman, I am Alan Bergman of Jud, North Dakota. I operate a small grain and livestock farm near Jud and serve as president of the North Dakota Farmers Union, an organization of family farmers with 31,596 dues-paying members.

In rural America today, we live in a deregulated transportation environment. With the advent of the Staggers Act, we have seen a rapid change in the quantity and quality of our rural transportation systems. Air, rail and trucking industries have undergone traumatic changes in the past decade, and the future looks equally dynamic.

For example, with the advent of deregulation, North Dakota has seen a deterioration in its air service. The major airlines have shifted their emphasis to the highly populated trunk routes to the detriment, both in number of flights and cost of service, to the more sparsely populated areas.

The current word for transportation change appears to be rationalization. From the farmers' point of view, rationalization of rural transportation systems has meant the rapid removal of those systems -- railroads abandoning branchlines; elevators consolidating into terminal, subterminal type facilities; and the transportation costs being transferred to the farm gate. Deregulation and the efficiencies for the transportation industry have generally meant, for farmers, that their transportation options have narrowed and in many cases are confined to using larger trucks with the corresponding impact on rural roads.

TESTIMONY -- 2

In LaMoure and Dickey Counties, railroad abandonment has had tremendous impact on rural roads. In Jud, for example, approximately 450,000 bushels were handled by rail in 1982-1983. By 1985, over 400,000 bushels had to move by truck. In nearby Ellendale, 300,000 bushels were shipped by rail in 1983-1984, and now everything is trucked to the subterminal fast-loading facility at Monango.

A similar situation is developing at Ashley, North Dakota, with the proposed abandonment plans from Ashley to Pollock, South Dakota. Venturia, stuck in the middle, will have to truck about one-half million bushels to Ashley, grain that was formerly shipped by rail. The short-haul aspect of grain movement has increased tremendously in many other areas as well and in every case has contributed to rural road deterioration.

We wish to emphasize the studies which have concluded that the infrastructure in rural roads is rapidly deteriorating. Rural roads and bridges are in need of a tremendous infusion of money to preserve them as arteries for the movement of this nation's food and fiber. The United States Department of Agriculture's recent study indicates all too well the conditions of rural roads and bridges.

It is estimated that local jurisdictions are currently bearing the cost of constructing and maintaining about 80 percent of the rural roads and bridges in the nation. Meanwhile, those local governments have been severely affected by the loss of federal revenue sharing, a program that ended last year.

In North Dakota, state aid to counties and other jurisdictions has also declined considerably in recent years because of the depressed economy and the erosion of the state's revenue base.

Suffering the most are the 39 agriculture-dependent counties of the state,

those counties where 20 percent or more of the total income is derived from farming and ranching.

In 1982, for example, federal general revenue sharing and state aid supplied 48.2 percent of the local budgets in the state's agriculture-dependent counties. Since then, cuts in state aid and the loss of federal revenue sharing grants have forced local governments to raise taxes in efforts to maintain budgetary targets for roads and services. Local jurisdictions are torn between tax hikes or the continued deterioration of rural infrastructures.

It's not fair that the rural community, currently suffering from low commodity prices, should be expected to not only underwrite the nation's cheap food policy but also bear the burden of maintaining the nation's food distribution systems.

North Dakota Farmers Union favors the use of federal and state government funding of farm-to-market and rural roads from gasoline and other tax revenues. We feel that priority should be given to roads utilized for moving farm products to regional markets. We believe that federal excise taxes should not be raised and used for other purposes. The current proposals that gas taxes and other excise taxes be raised and deposited in the general fund for deficit reduction run counter to the long-held belief that funds collected in that manner are dedicated and that the dedicated funds from gasoline taxes be used to benefit the users of the road network.

While we do not object to the completion of the nation's interstate highway system, we do not want that system completed at the expense of rural farm-to-market roads.

We must also study the need and the practicality of current right-of-way

and construction specifications for farm-to-market roads. Rural roads must be maintained or constructed with greater cost benefits and land use efficiencies in mind.

We believe that each county should be required to have a master plan for road development and establish uniform identity to be eligible for state and federal funding.

With the advent of subterminal fast-loading facilities and the resulting efficiency to the railroad system, the feeder-road network to the mini-terminals has deteriorated. We feel that the entire farm-to-market system must be viewed as a whole and priority given to the maintenance and upgrading of feeder roads.

And lastly, we would urge the adoption of uniform state standards for truck weight and length limits to facilitate efficiency of movement in the trucking industry and continue competition in the long-haul transportation of bulk commodities.

The deregulated environment has brought vast challenges to rural North Dakota, and we appreciate the committee's efforts to understand and help solve rural transportation problems.

That concludes my testimony. I'd be happy to answer any questions. Thank you.

Respectfully submitted,

Alan Bergman

Alan Bergman, President
North Dakota Farmers Union

August 28, 1987

Additional Testimony Submitted for the
Senate Environmental & Public Works Committee

Chairman: Senator Quentin Burdick
Hearing held August 11, 1987
Minot, North Dakota

Mr. Chairman, I am Alan Bergman of Jud, North Dakota. I wish to offer additional written comments to supplement my oral testimony submitted on August 11, 1987, at Minot, North Dakota.

During the hearing, various officials raised questions concerning the nation's commitment to energy independence and the role of ethanol-enhanced fuels. The development of value-added manufacturing close to the point of input production has long been the goal of agricultural producers. As you know, rural America today faces many challenges. The prices farmers receive for their grain have been seriously depressed for much too long a time, and farmers are looking at rapid, and in many cases devastating, changes to their rural lifestyle and community structure.

One of the areas to which farmers have turned for future rural economic development has been the utilization of agricultural products in a value-added situation. The producers of North Dakota have taken the initiative on several projects in recent years to bring the processing plants closer to the production centers for wheat, sunflowers, etc. These ventures are, by their very nature, risky and have not always been successful.

The ethanol industry is one such example. In North Dakota we have two plants, one currently operating at Grafton, ND; and one in Walhalla, ND that is in financial difficulty and being protected by the court. These fledgling attempts to convert farmers' grain, including damaged corn, barley, potatoes,

etc., have been supported by North Dakota farmers. To pull the subsidies from these plants at this time would kill any chance for their economic survival.

We support the government subsidy to the ethanol industry as a protection to that industry during its critical infancy. We believe that in the future ethanol will perform a vital role in the country's energy picture. Currently, ethanol-enhanced gasolines are being studied very seriously by cities with air quality problems, and it's possible that Denver may mandate the use of clean, lead free gasohol during the months when it suffers heavy pollution.

North Dakota Farmers Union recognizes the high cost of the ethanol subsidies to the various road funds. However, the importance of this industry cannot be underestimated when one views the long-range world energy picture. We urge that the Congress again review its national energy policy. We believe that energy independence must be the goal. The nation should continue to support the growth and utilization of agriculturally derived ethanol in a ten percent blend with gasoline to produce an environmentally safe fuel.

PREPARED STATEMENT PRESENTED

By Chuck Peterson, Chairman
Transportation Council, Greater North Dakota Association
President, Jobbers Moving and Storage
Bismarck, North Dakota

BEFORE THE

Senate Environment and Public Works Committee

United States Senate

Field Hearing Held at

Minot, North Dakota

August 11, 1987

Good Afternoon, Senator Burdick.

I am Chuck Peterson, Chairman of the Transportation Council for the Greater North Dakota Association. As a businessman, I am President of Jobbers Moving and Storage in Bismarck. On behalf of the membership of the Greater North Dakota Association, we express our appreciation for providing the leadership to conduct this field hearing in North Dakota to examine highway transportation needs in small communities and rural areas.

The Greater North Dakota Association is the state's oldest and largest general business organization. The organization's membership includes members from every sector of the state's economy and nearly every county in North Dakota. Since this organization was founded in 1924, support for a first class transportation system has been a high priority.

New wealth creation (the providing of jobs and stimulating the local economy) is the highest priority challenge facing North Dakota and other rural states. This is particularly true of rural communities and rural areas of the country.

The Greater North Dakota Association believes a quality transportation system is key to North Dakota's new wealth creation potential. Dr. David Birch, President of Cognetics and a leading authority worldwide on job development and wealth

creation, pointed out at the GNDA annual business conference on October 1986, that because North Dakota is largely a natural resource based economy (agriculture and energy comprise well over two thirds of the State's new wealth each year) the State is heavily dependent upon a strong and reliable highway system. In addition, research on factors affecting economic development consistently reveals that a sound transportation system is a primary location factor considered by companies considering relocation or expansion.

The development of sub-terminal grain handling facilities has also had a direct and significant impact upon the State's highway system. For example, with increased use of unit trains coupled with sub-terminal elevators, an increasing amount of grain is now being hauled by larger trucks both directly to the terminal facilities and from smaller elevators to the grain terminals. The end result is heavier loads over longer distances on a road system not designed for the heavier shipments. In addition, the energy industry has traditionally relied on trucking to transport production equipment and material, as well as products. These industries require roads capable of supporting heavy cargo shipments.

Due to the small population in North Dakota being spread over a large geographic area, items such as farm machinery, food items, finished goods, etc. are transported almost entirely by motor carrier rather than rail. Also, mass transit and commercial air services are extremely limited making it necessary for citizens to travel almost exclusively by car and bus. Consequently, people transportation, along with the day to day commerce in the majority of our communities, is very dependent on well maintained roads.

North Dakota's roads were not built to support the loads or volume of traffic they are experiencing. Only 40% of our roads and highways are in good repair. Less than half is adequate to meet the current demands placed on the system. This situation seriously impacts our major industries and the people living in our rural areas and small towns. In addition, it makes it difficult for our smaller communities to compete for new business and industry.

A "Committee of 100" was formed last October by Governor Sinner, with support from the Greater North Dakota Association, specifically to identify barriers and opportunities for new wealth creation in the State. The Committee was also charged

with developing recommendations to enhance economic development efforts by government, the private sector and, higher education in North Dakota. One of the Committee's recommendations in the area of transportation was to maintain the state's road system by providing adequate funding based on the user fee principle. Both the Committee of 100 and the GNDA Board of Directors believes that highway user fees should be used solely for construction, repair, and maintenance of our public roadway system and should not be diverted to non-transportation uses.

In conclusion, North Dakota's present economy is heavily reliant on a well maintained system of roads. This system is deteriorating faster than anticipated due to changes in our basic industries and transportation system. These changes are negatively affecting our traditional new wealth creation industries of agriculture and energy, as well as our state's new wealth creation initiative. A strong network of good roads is essential to our rural areas' and small towns' futures. In fact, it is an essential key to economic stability and development for rural towns and rural areas of the country.

# # # # # #

Cass County Highway Department
P.O. Box 698
West Main Avenue
West Fargo, North Dakota 58078
701-282-2226

County Engineer — Donald W. Richards *Maintenance Superintendent* — Steve Grindberg

- Written Testimony for Hearing -

August 11, 1987 @Minot, North Dakota

TO: Honorable Senator Quentin N. Burdick, Chairman
Senate Environment and Public Works Committee

FROM: Donald W. Richards, P.E.
Cass County Engineer
P.O. Box 698
West Fargo, North Dakota 58078

RE: Field Hearing on Highway Transportation needs
in small communities and ural areas.

Dear Senator Burdick and Committee Members:

Please be advised that I am very concerned about the ability of North Dakota counties regarding the building, rebuilding, and maintenance of their transportation system. In my opinion it has become impossible for our counties to raise sufficient revenues to provide for the needs of our people in the area of roads and bridges.

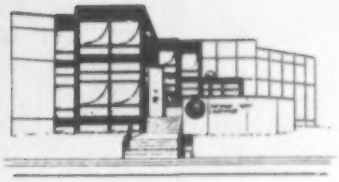
We in Cass County have approximately 645 miles of county roads and more than 600 bridges to maintain in order to provide for the existing transportation system. Whenever feasible we eliminate structures but the needs are insurmountable with present funding methods. Three years ago the voters of Cass County approved a 10 mil special levy to provide some of the funding needed to rebuild our existing hard surfaced highways and certain bridges. This levy is about all the already distressed agricultural community can stand and yet we continue to fall behind. Cass is the most densely populated county in the state and yet we will probably only be able to fund about three (3) miles of rebuilding on our Federal Aid System and probably fund one (1) bridge using Federal special bridge replacement monies. Our situation is desperate. The diversion of

highway user fees for non-highway purposes must cease and more monies must be made available to states with small populations and large geographic areas if we are to continue to provide the expected large portion of the agricultural commodities that the rest of the country has grown to expect. The federal government certainly must recognize their responsibilities in this area. The continuation of the Federal Aid highway and public transportation programs is essential to the safety and mobility of our county and our state.

I also would like to take this opportunity to request that special efforts be made to maintain the federal role in disaster response and recovery as regards to natural disaster effects on our public transportation system.

Thank you for your consideration to these matters.

Donald W. Richards, P.E.
Cass County Engineer
Cass County, North Dakota



Stutsman County

511 2nd Ave S E
Jamestown, North Dakota 58401

August 28, 1987

Honorable Quentin N. Burdick
US Senate
Committee on Environmental and Public Works
SD-458 Dirksen Senate Office Building
Washington, DC 20510

RE: Stutsman County Road #62
Serving Ladish Malting
Company Testimony
Stutsman County, ND

Dear Senator Burdick:

We understand that the official record with regard to the hearing held in Minot on August 11, 1987 at the Sheraton Inn will be held open until September 1, 1987. We have prepared the enclosed testimony and would appreciate your including this within the official transcript of that hearing.

We appreciate the opportunity to present our case to the Senate in this manner.

If you have any questions please feel free to contact me at any time.

Yours very truly,
STUTSMAN COUNTY

Vern Wahl

Vern Wahl, Chairman

VS:pk
Encl.
cc: Interstate Engineering, Inc.
Walt Hjelle
Mike Weiss
Lary Olson

COUNTY COMMISSIONERS
PATRICK FOLK, Jamestown
OLIVER GRAVES, Ypsilanti
SHIRLEY JEANNOTTE, Medina
MARK T. IGLORE, Jamestown
VERN WAHL, Jamestown

COUNTY OFFICIALS
LARY J. OLSON, Auditor
MARCELLA BAKER, Treasurer
IRENE BERG, Register of Deeds
NORINE A. KNUDSON, Clerk of Court

CHARLES J. GALE, States Attorney
HAROLD B. HERSETH, County Judge
DAVID F. ORR, Sheriff
JOAN RAYES, Superintendent of Schools
NOEL A. JOHNSON, Tax Equalization Director

JULIUS WISMAN, Veteran Service Officer and Disaster Emergency Services Coordinator
OSWALD SCHULTZ, Highway Superintendent
CLARENCE DARREL, Director of Social Services

STUTSMAN COUNTY'S HIGHWAY DILEMMA

BACKGROUND

Stutsman County is a rather large county in geographical size (2,289 square miles in area) and the county has a population of 23,500 people. The county is located in east central North Dakota with the main industry in the county being agriculture. Because of the size of the county, many miles (1,995 miles of county and township highways) of road serve this agricultural industry and the related agricultural industries in the area.

In 1973 Ladish Malting Company of Milwaukee, Wisconsin decided to build a large malting plant in Spiritwood Township which is located in east central Stutsman County. The Ladish officials decided to build here in North Dakota because of the availability primarily of high quality malting barley and good quality water and secondarily because of the clean air, high quality labor and access to a good transportation system. The malting barley is available in large quantities from northern North Dakota and southern Canada and can readily be obtained for this malting plant which converts the barley to a malt product which is used in the brewing process for making beer and the malt is also used in the food industry for making baby foods and other food products. Much of this high quality malting barley is trucked to this malting plant. In fact, in 1986 60,000 tons or 2,400 truckloads of barley were received at the Ladish Malting Plant. (Attachment A) A major portion of this barley comes from northern North Dakota and southern Canada with the trucks coming to the malting plant from the north using approximately 18 miles of paved Stutsman County Highway (16 miles of Stutsman County Highway #62 and 1 1/2 miles of County Highway #40). (Attachment B)

THE PROBLEM

Because this 18 miles of paved Stutsman County highway receives most of this heavy truck traffic to the Ladish Malting Plant, this road system has started to deteriorate very rapidly. In fact, during the spring of 1987, the highway completely came apart. Large areas of the highway broke up and in many areas the roadway became impassable. Consequently the Stutsman County Highway Department had to close this road to truck traffic not only for those trucks which haul barley to the Ladish Malting Plant but also for the 45-50 area farmers who haul grain to the large Wimbledon Grain Company facilities in Wimbledon and the truck traffic to Ladish then had to use another county highway located in Barnes County or those trucks came across on County Highway #40 to Spiritwood.

County Highway #62 had to be closed for two months to truck traffic and this highway was recently opened again to truck traffic; however there are large areas of this roadway which are not yet paved because the heavy trucks pound out these areas and the patching will not hold.

Highway #62 also receives a lot of car traffic (the State of North Dakota is in the process of getting a traffic count) which goes back and forth from Spiritwood Lake located three miles to the west of #62. (Spiritwood Lake is a natural lake which is very popular for boating, fishing and camping).

An engineering study has been completed on this 18 mile stretch of county highway and the engineers (Interstate Engineering, Inc. of Jamestown, ND) estimate that the cost of upgrading this road would cost Stutsman County $2,500,000. (Attachment C) Stutsman County like many other counties does not have the funds to patch and overlay this highway so the county is asking the Federal government for help with this project. County funds are already being utilized in other areas of this huge county-township highway system.

COUNTY FUNDS

The Stutsman County Highway Department annually has the following sources of revenue:

A. Federal money FAS	= $153,000
B. Special county highway levy	= $230,000
C. State Highway Aid money	= $800,000
D. Road & Bridge fund moneys	= $700,000
	$1,883.000

The expenditures are as follows:

A. Snowplowing, cracksealing, patching, signs, etc. on: 218 miles of paved county roads @ $2,050 per mile	=$ 446,900
B. Maintenance, gravelling, snow plowing, signing etc. on: 1,776 miles of gravel roads @ $800 per mile	=$1,420,800
Total Expenditures	$1,867,700

Note: (The townships pay the county $400.00 a year to maintain, gravel and do the snowplowing. This is part of item D (road & bridge revenues).

The delemma which the county has is that it must spend some of its road maintenance money in expenditure items A and B for overlaying projects thus reducing the funds available for normal annual maintenance of the paved and gravel highways. These funds are further reduced by the bridge replacements which are very expensive.

The solution to the county highway crises will not be a simple one. Reducing services, closing roads, and removing pavement are not very popular alternatives. However unless some very hard decisions are made the county road and bridge network will continue to deteriorate. Increasing property taxes during these troublesome economic times in North Dakota is very unpopular; therefore the county must seek some alternatives which increase revenues while also reducing services.

ATTACHMENT A

LADISH MALTING CO.

MILWAUKEE, WIS. 53201

"TO MARK QUALITY"

ROBERT T. STOLLENWERK
VICE PRESIDENT & GENERAL MANAGER

February 24, 1987

Mr. Lary J. Olson
Stutsman County Auditor
511 2nd Avenue, S.E.
Jamestown, North Dakota 58401

Dear Mr. Olson:

In response to your February 17 letter regarding truck traffic hauling barley to our malting facility at Spiritwood, we can report that during the calendar year 1986 we received approximately 60,000 tons of barley by truck.

The origin of this trucked barley is highly variable from year to year and, therefore, cannot give you a proper response as to the origin of these trucks.

Trust this information will be of assistance in your special project seeking federal funding.

Sincerely,

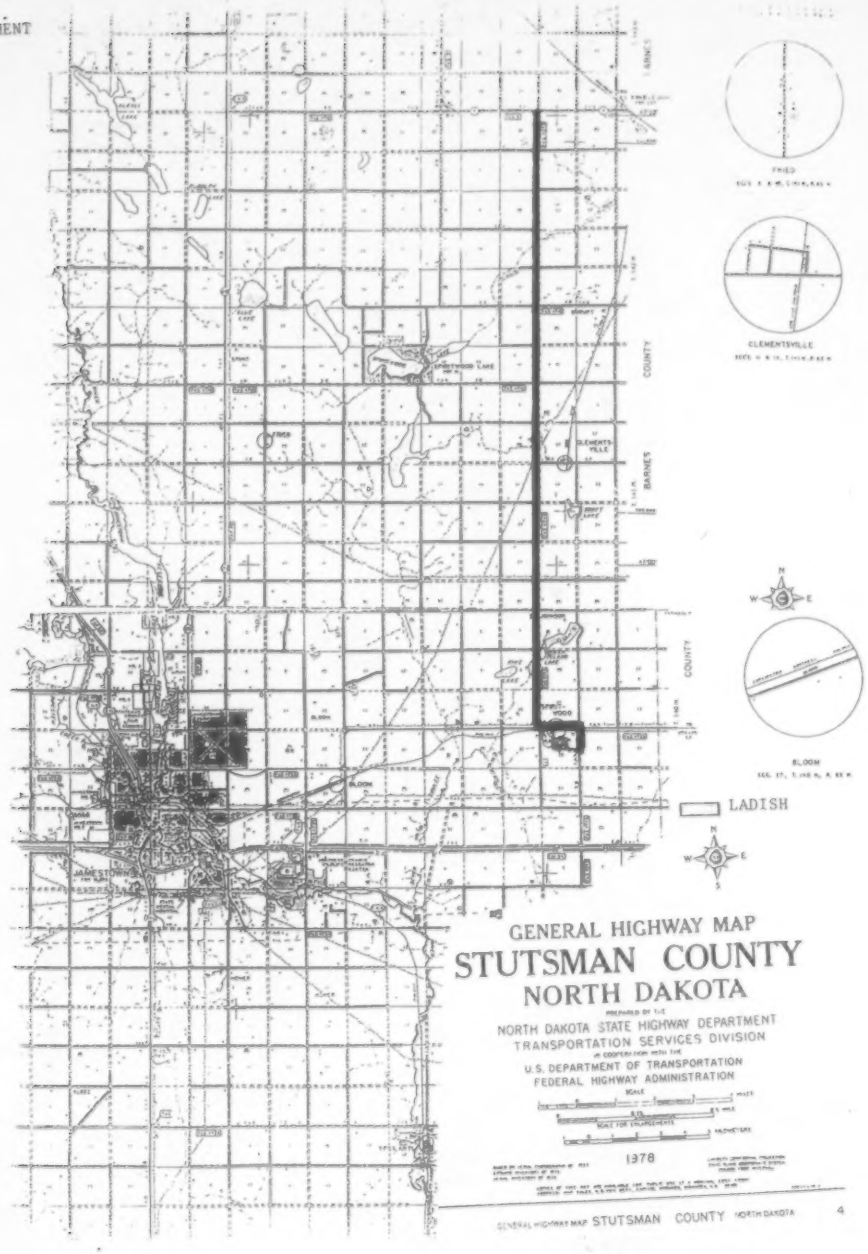
LADISH MALTING CO.

R. T. Stollenwerk

Vice President

RTS/mb

ATTACHMENT
B



ATTACHMENT C

PRELIMINARY ENGINEERING REPORT
STUTSMAN COUNTY ROAD #62

LOCATION:

The proposed project is Stutsman County Route #62, FAS# 4745, approximately 18 miles in length, starting at North Dakota State Highway #9, 2 miles west of Wimbledon, south 16 miles to Stutsman County Highway #40, east 1 mile and south a half mile to the entrance to the Ladish malting plant, as shown on the attached map.

PRESENT CONDITION:

The roadway between North Dakota Highway #9 and Stutsman County Highway #40, approximately 16.2 miles in length, was rebuilt in 1974 to a 30' graded roadbed, with a 4" cold bituminous surface that ranges between 24 and 26' wide not including sloughs. Inslopes on this portion range from 2.5:1 to 6.5:1 and average 4.5:1. The design speed in 1974 was 50 mph. Due to changes in standards, the roadway with one exception, has sufficient sight distance for a 45 mph design speed.

Where the roadway turns east and goes through the town of Spiritwood the pavement width stays at 23' not including sloughs.

East of the City of Spiritwood the roadway turns south to the Ladish malting plant. Here the roadway ranges from 20-21' wide not including sloughs. The inslopes on the last two miles range from 2.8:1 to 4.3:1 and average 3.5:1.

Stutsman County Highway #62 is a heavily used farm to market road with the Wimbledon and Leal grain companies, in Barnes County, towards the north end of the project and the Ladish Malting Plant at the south end. A large amount of grain is hauled to the Ladish Malting Plant from the northern part of the state. These trucks eventually end up using this section of roadway in Stutsman County.

PROPOSED IMPROVEMENT:

From North Dakota Highway #9 south to the east side of the City of Spiritwood the project would consist of a 24' wide 1½" levelling course with a 24' wide 2" surface course with 1' sloughs plus a 24' wide conventional seal coat.

The remainder of the project, from the east side of the City of Spiritwood east and south to the entrance to the Ladish malting plant would require some grading to get the base wide enough to accept a 26' wide, 6" aggregate base with a 24' wide, 4" bituminous surface and a 24' wide chip seal. This portion of the

project would require salvaging of the existing 4" cold bituminous pavement.

RIGHT OF WAY & UTILITIES:

Existing right of way is generally 70' with a few exceptions where less right of way was taken because of large groves of trees or houses that would have interfered with the project.

The only conflicts with utilities on this project would be on the grading portion of the project from the east edge of Spiritwood east and south to the entrance to the Ladish Malting Plant.

ESTIMATED COST OF IMPROVEMENT:

The grade improvements, inslope improvements, spot base restoration, 1½" hot bituminous leveling, 2" hot bituminous surface course, and conventional seal coat will have an estimated cost of $2,500,000. This amount includes all estimated labor and material costs for constructing the section described above including roadway preparation, striping and engineering without fill design criteria.